COUNTRY COMMERCIAL GUIDE

FISCAL YEAR 2003

CHILE

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CHAPTER 1. EXECUTIVE SUMMARY

Chile is one of the Latin American region's most dynamic and promising markets. Its strength and attractiveness lie not in its size (population of 15 million people), but in the energy and professionalism of its entrepreneurs, the transparency of its regulation, and the predictability of its decision-makers. Market-led reforms adopted close to 30 years ago and an increasingly diversified economy with strong ties to buyers and suppliers in the Americas, Europe and Asia have given Chile a wide range of options for further growth. Prudent economic policy-making has secured long-term stability unknown elsewhere in Latin America.

Chile is a particularly promising market for high technology and capital goods (see sector highlights in Chapter 5). While solid opportunities for U.S. goods abound in Chile, competition is stiff, especially from countries with which Chile has negotiated free trade agreements. The U.S. is Chile's largest single supplier (almost 23 percent of imports), but European and Asian competitors are strong. U.S. exporters to Chile find few problems in financing customers. Sufficient Chilean, U.S., and third-country banks operate in Chile.

The U.S. and Chile are currently working to conclude a bilateral free trade agreement. Chile already has free trade agreements with Canada and Mexico, our two NAFTA partners. A U.S.-Chile bilateral free trade agreement would allow U.S. exporters to also enjoy zero percent import tariffs on most products (U.S. exporters face a 6 percent import tariff in 2003).

Chile has one of the simplest and most transparent regulatory systems in the region for trade and business. Careful review of regulations and full compliance with guidelines will ensure more successful and trouble-free operations in Chile. Chile maintains import and export licensing requirements, but they are more for statistical purposes rather than control. Only agricultural products and a few sensitive items face restrictions.

It is crucial for U.S. companies to establish an effective and efficient presence in Chile. Many foreign companies have subsidiaries or branch offices in Chile; others utilize distributors or representatives. Forty percent of Chile's population resides in the Santiago Metropolitan region and is easily reached. Although 60 percent of the population lives outside Santiago, Chile's unusual geography makes it difficult to cover other population centers. Eighty percent of Chile’s economy is controlled from Santiago; most agents/distributors operate from there with offices in the regions.

There are non-stop or direct flights to Santiago from Miami, New York, Dallas/Ft. Worth, Los Angeles, and Atlanta. In-country connections are plentiful. A reciprocity visa of USD$65 remains in effect, is purchased upon arrival to Chile, and is valid for the life of your passport.

CHAPTER 2: ECONOMIC TRENDS AND OUTLOOK

Major Trends and Outlook

Although Chile's economy expanded continuously during the 1990s (annual real GDP growth averaged seven percent), 1998 witnessed the start of a slowdown that lasted through most of the following year. The country's economy contracted 1.0 percent in real terms in 1999 before recovering in 2000. Because Chilean growth is driven by exports concentrated in primary products and processed natural resources (principally copper, fresh fruit, and forestry and fisheries products), the world economic slowdown and consequent decline in commodity prices negatively affected the country's growth trajectory. The strong job creation and corresponding decline in unemployment (which had fallen to 4.4 percent in mid-1998) of the last several years reversed in late 1998 as growth slowed. Unemployment reached highs of 8-10 percent in 1999 and has not fallen significantly since then. The growth in real wages of better than five percent annually that occurred in the middle of the last decade ended during the recession but has since picked up, and real wages have on average risen faster than inflation. The latter has gradually declined over the last few years (ending 2001 at 2.6 percent). Expectations of inflation for 2002 are about 2.7 percent, well within the Central Bank’s target 2-4 percent range.

The recession officially ended with positive GDP growth in the first quarter of 2000, and in 2000 the economy ultimately posted a 4.4 percent expansion. Growth in 2001, however, was slower than expected (2.8 percent) due to weak domestic spending and the global economic slowdown. Sluggish foreign investment also slowed growth. Official projections for 2002 have been revised downward to 3 percent. The Central Bank expects growth of 5.8 percent in 2002 as the U.S. and other economies rebound. Rising demand for key commodities has already lifted prices.

Chile’s public and private external debts at the end of 2001 were, respectively, $5.7 billion and $32.1 billion. Chile's credit rating remains the best in Latin America (ranked A- by Standard & Poor's for long-term foreign currency and AA for long-term local currency) despite the general lack of confidence in emerging markets that resulted from the successive Asian, Russian, and Brazilian financial crises of the late 1990s. Since Chile first received an investment-grade rating in 1992, domestic firms have raised funds abroad by borrowing, selling bonds, and issuing stock. Chilean firms attract a substantial amount of international investment, and some $32.8 billion of foreign-sourced investment has entered the country since 1995. Because most of this is direct investment, it is not likely to flee the country in response to temporary bad news.

The Chilean government has placed sovereign bonds in international markets twice in the last year with country risk premiums amongst the lowest in developing world. Chile's high domestic savings rate (fostered in part by mandatory retirement contributions administered by private pension fund management firms) continues to ameliorate dependency on short-term foreign capital to finance investment. The country's high rate of investment suggests that production will continue to grow rapidly in coming years.

Both the product mix of exports and the markets for Chilean goods are becoming increasingly diversified, with dependency on copper gradually declining and with the rest of Latin America joining the U.S., Asia, and the European Union as an important purchaser of Chilean products.

Chile's reliance on exports and its desire for market diversification have led it to seek opportunities to expand several current or potential markets. Chile joined the Asia Pacific Economic Cooperation (APEC) organization in 1994 and has expressed strong interest in ultimately becoming a full member of MERCOSUR. The country has signed bilateral trade agreements with a host of nations in various regions of the world—including NAFTA-like free trade agreements with Canada and Mexico, and an FTA with the EU—and it remains an active participant in the negotiation of the Free Trade Area of the Americas (FTAA). Since 2001, U.S. and Chilean officials are negotiating a free trade agreement that governments expect to complete the agreement by late 2002.

Government Role in the Economy

Although the state retains holdings in several industries, businesses in Chile are predominantly owned and controlled by private interests. The most important public corporation is CODELCO, the world's largest copper company, which the government has said it will not sell. Prices, except those of regulated utilities, are set freely.

The Chilean government derives much of its tax revenue from personal income taxes, corporate taxes, import tariffs, and the 18 percent value-added tax. The government pursues a budgetary policy of a "structured" surpluses equivalent to one percent of GDP, designated to allow a moderate level of counter-cyclical fiscal spending during economic downturns. The temporary spending measures used to combat the recent recession led to a slight fiscal deficit (1.5 percent of GDP) in 1999. The government finished 2000 and 2001 with a slight surplus and expects to run a 0.7 percent deficit in 2002.

Balance of Payments Situation

Chile's international reserves, more than $15.7 billion, represent nearly one year's worth of imports, and the overall 2001 trade account enjoyed a $2.1 billion surplus.

Capital inflows over the last several years have more than made up for current account deficits. Although the deficit was more than five percent of GDP at the onset of the recession in 1998, it was reduced dramatically by tight monetary policy that year and eventually finished 1999 with a slight surplus. In 2001, however, the current account posted a $1.2 billion deficit, a figure equivalent to 1.9 percent of GDP, and the Central Bank expects the deficit to widen to 2.2 percent of GDP in 2001.

Infrastructure Situation

Much of Chile's infrastructure is developing thanks to government concessions. For example, Chile's regional airports are being upgraded to accommodate increasing air traffic. The U.S. and Chile signed an Open Skies aviation agreement in 1999. The government has also awarded service and management concessions to accommodate expansion in each of Chile's 7 ports. The principal ports are Valparaíso and San Antonio (both 80 miles from Santiago, but 50 miles one from the other). The government awarded over US$ 1 billion of 15 to 20-year concessions to private firms for maintenance and upgrading of the highway network. Much of this has been used for the 1,000-mile extension of the Pan-American Highway between La Serena and Puerto Montt.

Chile's rail network, the fourth largest in Latin America (5,511 miles, or 8,870 kilometers), urgently needs to be upgraded and expanded. The railroads are mostly property of the state-owned company "Empresa de Ferrocarriles del Estado (EFE)," but the government plans to concession to private firms the right to operate the company's passenger service. Two railroads connect Chile to Bolivia; one of these is privately owned.

The Santiago subway has been in operation since 1976. It is efficient and well maintained, and expansions to the system continue.

The country's telecommunications infrastructure is one of the best in the hemisphere, in part because of heavy U.S. investment. For more information, please see "Telecommunications" under the Best Prospects section in Chapter 5.

CHAPTER 3: POLITICAL ENVIRONMENT

Major Political Issues Affecting the Business Climate

U.S.-Chilean relations are excellent. President Ricardo Lagos took office in March 2000 and met with President Bush in Washington in April 2001 shortly before the Summit of the Americas in Quebec City, Canada. Chile is an active participant in numerous international organizations and supports a wide variety of U.S. policy objectives.

Chilean politics is marked by broad consensus among the major parties about the importance of a democratic political system and a free-market economy. Key differences between the center-left governing coalition and the center-right opposition involve strategies for and the role of government in addressing issues such as poverty eradication, health care, infrastructure, education, and reform of the tax and labor codes.

Brief Synopsis of the Political System

President Ricardo Lagos, a U.S.-educated economist and founder of the Party for Democracy, leads a center-left coalition composed of four parties. Lagos took office after defeating the center-right coalition's candidate in an extremely close second-round vote. The president has put in place a top-notch economic team; his principal economic advisors are U.S.-trained and internationally renowned for their technical expertise, and they share Lagos's strong commitment to Chile's successful free-market economic model.

Lagos heads Chile's powerful executive branch, and his center-left coalition enjoys a majority in the lower house (the Chamber of Deputies.) The upper house (the Senate) is evenly split between the government coalition and the opposition.

For much of this century, Chilean politics was marked by a three-way division between the political right, center and left, with each holding roughly one-third of the vote. Today, Chilean politics revolves around two large political blocs: the center-left governing coalition and the center-right opposition. The former includes the centrist Christian Democratic and Radical parties, the moderate leftist Party for Democracy, and the Socialist Party. The opposition coalition includes the rightist Independent Democratic Union and the center-right National Renovation Party. Chile has several fringe-left parties (including a largely unreconstructed Communist Party) which, though not represented in the executive branch or in Congress, have elected representatives in some local governments.

Election Schedule

December 2005:	Presidential and Congressional (all Deputies and half of the elected Senators)
March 2006:	Presidential inauguration

CHAPTER 4: MARKETING U.S. PRODUCTS AND SERVICES

Distribution and Sales Channels

Establishing a local subsidiary or branch office gives the best guarantee that the exporter will receive efficient service and appropriate promotion of its products. Any corporation legally constituted abroad may form, under its own name, an authorized branch (agencia) in Chile. This method of market penetration may involve a considerable investment, but can be justified if sales are large in volume or when local service support and/or inventory are necessary.

Another practical and more common market entry strategy is to appoint an agent or representative with good access to relevant buyers and with technical expertise. Most manufacturing, trade and service activities are managed from Santiago, the capital. However, Chile's distances are great, so larger representatives usually have branch offices in different regions.

Sales outlets are traditional storefronts as well as large department stores, supermarkets, and hypermarkets. Well-designed shopping malls are a booming business in Santiago and the larger cities throughout Chile. These malls are anchored by one or two large department stores surrounded by specialty stores or boutiques. This is a good way to display and market consumer products.

No discount general merchandisers operate in Chile. Most products found in U.S.-style mass merchandisers (e.g., Walmart, Kmart, Target, Venture, Caldor, etc.) are sold through department stores.

Use of Agent and Distributor: Finding a Partner

About 3,000 importers currently operate in Chile; some of them also act as export agents. Most are small-to-medium size firms. Several large firms handle different lines of products and are large wholesalers. Almost all the firms have their main offices in Santiago. The larger ones have branch offices throughout the country, including in the free-trade zones. Other firms employ specialized traveling salespeople.

In general, foreign suppliers enter the Chilean market by appointing an agent, distributor or wholesaler. Agent/representative commissions normally range from 5 to 10 percent, depending on the product. For contract requirements, see "Need for a Local Attorney" in this Chapter.

The U.S. firm should be thorough in selecting the agent or representative. It may wish to make full use of the several services offered by the U.S. Department of Commerce U.S. Export Assistance Centers (USEAC). These services include flexible market research, matchmaking, consulting, company profiles, and video conferencing. For more information see www.buyusa.gov

Franchising

Since 1990, franchises have rapidly developed in Chile. About 50 franchises operate in Chile with over 25000 franchise stores. This industry sector provides direct employment for 12,500 employees and accounts for sales reaching US$ 200 million.

Chile has no special laws on franchises. The Association de Franchising de Chile (AFICH, the Chilean Franchise Association) was established in June 1995, but it has never been very active. Its main purpose is to obtain approval by the Chilean congress of a franchise law.

Franchise companies operating in Chile are subject to regular trade laws. The withholding tax on royalties is 35 percent, the value-added tax (VAT) is 18 percent, and the import tariff is a flat 6 percent (starting on January 1, 2003) with only a few exceptions for certain agricultural and luxury products. (For detailed information on this sector, please see Chapter 5.)

Direct Marketing

Direct marketing is well established in the services sector, mainly in banking and financial institutions, seminar organizers, telecommunication services, etc. The most common way to conduct direct marketing is to hire personnel for telemarketing or mailing campaigns or to contract the services of a firm specializing in this type of service.

Direct marketing or catalog sales are not yet common in the market. The low interest shown by Chilean consumers is mainly based on mistrust of warranty claims and promises of after-sales services. Chilean consumers prefer to window-shop, to walk and browse in shopping malls or shopping districts and personally to choose the goods rather than to purchase through catalogs. Exchange of products in Chile is a complicated matter for vendors, who are not inclined to return the money due to VAT complexity. Credit card penetration in Chile is only 8 – 11%.

Electronic Commerce

The internet is an important business tool in Chile. Local businesses are communicating with other businesses and with clients through the internet, incorporating digital information technology in their business processes. Chile is still facing challenging that limit its full development, but they are taking giant steps in the e-commerce sector.

Internet use in Chile is growing rapidly. From 1999 to 2000, the rate of growth for internet users was 100%, from 600,000 to 1.2 million. By the end of 2002, 12% of the population will have the internet, reaching 1.8 million people. Beyond that, estimates show that by 2003 more than 3 million people will be on-line in Chile. Education Minister Mariana Aylwin has set the ambitious goal that Chile will reach the same standards as developed countries for Internet access by 2005. Chile is conscious of the importance of the internet and making efforts to spread it in business as well as education. By the end of 2002, 95% of companies in Chile (excluding micro companies) will be connected to the internet.

The internet is used primarily for education and entertainment, but e-commerce is becoming more prevalent. The total amount of sales over the internet is expected to be over US$ 6 billion by 2004, pointing towards more computer purchasing done on-line and opening the door for U.S. exporters. The CCS stated that the number people making purchases on the internet will increase from 15 percent in 2002 to 25 percent in 2004.

While the telecommunications infrastructure of Chile is among the best in Latin America, local access charges for internet use still make heavy internet use expensive. E-banking is still underdeveloped in Chile and has ample room for development. The digital economy is expanding rapidly expected to reach an estimated 7.73 million dollars this year. The Government of Chile supports the development of the Internet and is fostering a public-private alliance to: 1) increase access to the Internet; 2) create secure and trusted methods of payment and certification; and 3) enhance product distribution throughout Chile. The Government also intends to make public services available on-line and already allows on-line filing of income tax returns.

In February 2000, Chile became the first country in Latin America to sign a Joint Statement on Electronic commerce with the United States, highlighting the countries' agreement that the private sector should take the lead on the establishment of business practices related to electronic commerce. In addition, on January 15, 2002 the Chilean Congress passed a law authorizing digital signatures, another step in e-commerce.

Joint Ventures/Licensing

As Chile continues to establish itself in world markets, the reactivation of its economy makes more sectors attractive for joint ventures and licensing. Joint ventures and licensing arrangements require a legally established local partner who can be responsible for Chilean legal and taxation obligations. The various administrative, commercial, profit distribution and other issues involved in the association are established in contracts drawn up between the partners in accordance with Chilean law and tax regulations.

Steps to Establishing an Office

Incorporating in Chile is not expensive (approximately US$ 1000) but takes some time (less than 2 months). Chile has no minimum local participation requirement, and the inclusion of local partners is guided only by commercial considerations. However, a legally established corporation or partnership is absolutely necessary to do any business in Chile except for exporting to the country.

The first step for a U.S. citizen, corporation or entity wishing to establish a business in Chile is to present a declaration of intent to invest in Chile to a Chilean Consulate, stating the nature of the business and the capital to be invested, simultaneously requesting a Permanent Residence Visa. This confers official residence status on the company, without which it will be barred from conducting commercial activities in Chile.

Within the framework of Chilean law, business entities can choose among various corporate forms, entailing somewhat different legal, taxation and other effects. Since the tax treatment is substantially similar for the various forms of businesses, the choice of entity is often guided by U.S. tax considerations.

Selling Factors/Techniques

The most important selling factor in Chile is price. Price-competitive products from Asian countries such as Taiwan and Korea far outsell more expensive European or North American products in consumer product categories such as electronics, appliances and automobiles.

Where dependability becomes more important, such as in advanced electronics and construction machinery, the customer often prefers more expensive North American or European products. While price remains paramount in purchasing decisions, factors such as quality, durability, technology, good customer support, and a strong regional service structure influence the purchase decision, with the order of importance depending on the industry, the customer and the application.

Many of the larger distributors and representatives have regional offices in addition to their Santiago headquarters, or work with commissioned salesmen to cover all of Chile. More technical product categories are generally sold by visiting salesmen rather than in showrooms or retail outlets. Technical salesmen demonstrate products to clients who prefer to be visited in their offices or are too far from sales points. More thoroughly trained technical sales support personnel often back up the salesmen during client visits.

Advertising and Trade Promotion

Television, radio, newspaper and magazine advertising are used heavily to reinforce in-store-merchandising methods. Private agencies handle most advertising. Most of these agencies belong to the Asociacion Chilena de Agencias de Publicidad (Chilean Association of Advertising Agencies, ACHAP), located at Fidel Oteiza 1921, Of. 801, Tel: (56-2) 269-9578 or 269-9579, Fax: (56-2) 274-8793.

ACHAP estimates that about US $560 million was spent on advertising in 2001. Television stations captured 47,6 percent of the total investment on advertising; newspapers accounted for 30,56 percent of advertising revenues; radio advertising took 10,6 percent; outdoor advertising (billboards, subway posters, road signs, etc.) about 6.72 percent; magazines 4.51 percent, and films/motion pictures with 0,42 percent.

Chile uses the NTSC system for TV broadcasting. Chile has five national broadcast television networks. All of them, including the state-owned but autonomous National Television (TVN), are self-supporting through advertising.

TV broadcasting stations in Santiago are: Channel 4, La Red; Channel 5, Universidad Católica Valparaíso (UCV); Channel 7, Televisión Nacional (TVN); Channel 9, Megavisión; Channel 11, Chilevisión; Channel 13, Corporación de Televisión de la Universidad Católica; and UHF television station ABTV Television, Channel 21.

Programming depends heavily on foreign series and movies. Dubbed U.S. programs dominate, but Mexican, Venezuelan, Brazilian, Argentine, and Japanese material can also be seen. Locally produced news, magazine shows, variety shows and soap operas are high quality and draw large prime-time audiences.

Cable TV

Cable television reaches an estimated 800,000 households in Chile, 51 percent of them in Santiago. Two major cable systems (Metropolis-Intercom and VTR-Cablexpress) operate in 95 percent of the country. Both rebroadcast all local stations, as well as major international channels from the United States, Italy, France, Germany, Argentina, Brazil and Mexico. U.S. offerings include CNN International, HBO Ole, MTV, TNT, Worldnet, ESPN, Cartoon Network and MSTV.

Radio

Radio is Chile's most extensive mass medium and reaches more people in more places than any other medium. Nearly all Chilean stations operate commercially, and six have network affiliates. The National Radio Association (ARCHI) reports 179 AM and 614 FM stations in the country, with 24 AM and 32 FM stations in Santiago. An estimated 93 percent of Chile's population listens to radio. The figure for Santiago is 97 percent. ARCHI's statistics state that there are 17 million radio sets in Chile.

The principal national networks are Radio Cooperativa (76 AM and 93.3 FM), number one in the metropolitan area; Radio Chilena (66 AM and 100.9 FM), Radio Agricultura (57 AM and 92.1 FM), and Bio Bio (99.7 FM). Other major musical and commercial FM radios are Rock & Pop, Duna, Pudahuel, Corazon, Romantica and Activa.

Newspapers

Chile has approximately forty newspapers ranging from nationally distributed dailies to small-town tabloids. Distribution ranges from as many as 300,000 copies (Sunday edition of Santiago's *El Mercurio*) to regional papers with 3,000 copies. Santiago has 8 major newspapers with a combined daily circulation of approximately 479,000. The circulation of local dailies in the regions is approximately 220,000. Considering an average readership of three persons per newspaper, total readership countrywide is estimated at more than 2,000,000.

Two major established newspaper enterprises operate in Chile: the El Mercurio chain, owned by the Edwards family, which has 15 dailies affiliated throughout Chile, and Consorcio Periodístico de Chile (COPESA), owned by Alvaro Saieh, Alberto Kasis and Carlos Abumohor, which distributes nationally *La Tercera*, popular *La Cuarta*, daily free tabloid *La Hora* and the newsweekly *Que Pasa*. *El Mercurio* of Santiago is Chile's most influential and prestigious paper, and has national distribution. *El Mercurio* competes with *La Tercera* for the largest readership.

Also published in Santiago are economic and financial newspapers *El Diario* and *Estrategia*, government-owned *La Nacion*, mass-*oriented Las Ultimas Noticias* (El Mercurio-owned) and the *El Mercurio* chain's afternoon *La Segunda* and tabloid *Publi Metro*.

Virtually all towns of any size in Chile have newspapers that focus on local news. Apart from the El Mercurio chain dailies, approximately 25 other independent regional dailies are published for local audiences. The most important regional daily is Concepcion's El Sur, with a circulation of approximately 30,000.

All Chile's leading newspapers carry weekly inserts or supplements on agriculture, construction, computers, and fashion. They publish special inserts on various topics, including vehicles, throughout the year.

Magazines

The major Santiago newsmagazines published for nation-wide readership are the weeklies *Que Pasa* (approx. 20,000), and independent leftist *Siete+7* (approximate circulation 7,000); these cover current events and political analysis. The conservative biweekly *Ercilla* has an approximate circulation of 10,000. Three business oriented publications – the biweekly Capital and monthlies A*mericaEconomía* and *Gestion* – focus on business and professional audiences. Two biweeklies with *Life*-magazine style formats -- *Cosas and Caras* – feature photos and illustrations accompanying their "beautiful people" interviews and articles on national and international topics. Other publications include *El Siglo*, the weekly Communist Party official publication; *Punto Final*, a biweekly publication of the extreme-left group Movimiento de Izquierda Revolucionario (MIR); *Paula*, a women's magazine; *Mensaje*, an intellectual monthly published by the Jesuits; and several sports and TV/motion picture magazines.

Approximate circulation for Santiago's major newspapers and magazines:

Dailies:	**Monday-Friday**	***Sunday**
La Tercera	100,000	230,000
El Mercurio	90,000	300,000
Las Últimas Noticias	50,000	80,000
La Cuarta	100,000	100,000

Total:	340,000	710,000

*All circulation figures represent projected daily nationwide sales and are only estimates, as no dailies submit circulation figures to public verification.

Useful web links for mayor Chilean publications

- *El Mercurio* chain website --includes links to all *El Mercurio chain dailies*: http://www.emol.cl
- Consorcio Periodistico de Chile (COPESA) owner of the newspapers *La Tercera*, *La Cuarta* and *La Hora* dailies and newsweekly *Que Pasa*: http://www.copesa.cl
- *Regional* daily *El Sur* of Concepcion: http://www.elsur.cl
- Economic and financial *daily Estrategia* and monthly economic publication *Gestión*: http://www.estrategia.cl
- Economic and financial daily El Diario: http://www.eldiario.cl
- Economic and business biweekly Capital: http://www.capital.cl
- Biweekly *Cosas*: http://www.cosas.cl
- Biweekly *Caras:* http://www.caras.cl

Useful web links for mayor Television stations

- National Television (TVN): http://www.tvn.cl
- Catholic University of Chile TV (TVUC): http://www.canal13.cl
- Mega TV: http://www.megavision.cl
- Chilevision TV (CHV): http://www.chilevision.cl

Useful web links for mayor Chilean radio networks

- Radio *Cooperativa*: http://www.cooperativa.cl
- Radio *Chilena Solo Noticias*: http://www.radiochilena.cl
- Radio *Agricultura*: http://www.radioagricultura.cl

Pricing Products

Pricing starts with a fairly straightforward formula based on CIF costs plus generally constant ship-to-warehouse expenses. Gross margins for consumer goods are generally 30-50 percent (or more for direct sales to consumers) or 20-30 percent each for the importer/distributor and the retailer when a distribution chain is in place. The final price for mass-distributed U.S. items should be competitive with imports from Asia and countries like Brazil. Higher-priced items must identify niche market segments to prosper. More specialized products are sold by stocking distributors or by commissioned agents who generally earn 5-10 percent on their sales.

For 2003, a 6-percent tariff is levied on the CIF value of all imported products, with the exception of a zero-percent tariff on computers and books. This tariff and a value-added tax of 18 percent are paid by the importer and not by the supplier. There are some exceptions: government entities do not pay these fees, and some luxury goods have higher tariffs. Imports from countries with which Chile has bilateral trade agreements are covered by different, preferential tariff schedules.

Sales Service/Customer Support

Customer service and support are fundamental to successfully penetrating and retaining market segments. In addition to the fact that consumer rights are becoming an issue, any product with a need for operator training or technical service must have this support provided by a stable local company with solid support from the overseas supplier. Due to Chile's close-knit market, bad reputations acquired by disregarding customer needs are hard to reverse.

Selling to the Government

Government entities usually do their own procurement. Chilean law calls for public bids for large purchases, although procurement by negotiation is permitted in certain cases. A G2B web site (www.compraschile.cl) has been established to increase transparency and reduce costs of government procurements.

Foreign and local bidders on government tenders must be registered with the Chilean Direccion de Aprovisionamiento del Estado (Bureau of Government Procurement Supplies), Amunategui 66, P. 4, Santiago, Chile. They must also post a bank and/or guarantee bond, usually equivalent to ten percent of the total bid, to assure compliance with specifications and delivery dates. Bidding is best done through a local agent who is registered, well connected and familiar with the bidding procedures. (See Chapter11 for a list of government agencies.)

Protecting Your Product from IPR Infringement

Chile belongs to the World Intellectual Property Organization, and patents, trademarks, industrial designs, models, and copyrights are protected in Chile by the provisions of the International Convention for the Protection of Industrial Property (the Paris Convention). However, Chile's intellectual property regime is not WTO/TRIPS compliant. Industrial designs and models are protected for a non-renewable period of ten years. The registration of trademarks is also valid for renewable periods of ten years.

In 1992, the Chilean Congress approved legislation that expands copyright protection from 30 to 50 years. Despite this copyright protection, industry sources estimate that copyright infringement in Chile cost U.S. firms $52.5 million in 1999. Most infractions are found in small and mid-size companies.

Software piracy should decline as local suppliers adopt more vigorous legal strategies to protect their rights.

A common problem faced by foreign companies that wish to begin operations in Chile is that other individuals or companies may already have their trademarks. Chilean courts have been supportive in cases where the trademark has been "stockpiled" but gone unused, but less so in cases where investments were made in use of the trademark. In either case, proceedings can be lengthy (2-4 years) and expensive ($5,000-$10,000+) with a low success rate. The foreign firm should make a business decision whether to take legal action or to negotiate with the party who registered the trademark. A trademark should be registered as soon as the exporter/investor has any intention of doing business in Chile. Ownership of the trademark is not prejudiced by lack of use in cases where the registered party makes use of the mark in other countries, and trademarks may be perpetually registered in periods of ten years at a time. Firms wishing to register their trademarks should do so at the Ministry of Economy, Departamento de Propiedad Industrial, Moneda 970, P. 1, Tel: (56-2) 688-3124. For more information please see www.buyusa.gov/chile

Need for a Local Attorney

Because contracts with Chilean firms must abide by Chilean laws, U.S. companies entering the Chilean market should have all legal documents drawn up or checked by a qualified legal counsel. The Commercial Section of the U.S. Embassy in Santiago can supply a list of attorneys practicing in Santiago. This list of attorneys also can be obtained at www.buyusa.gov/chile under "Selected List of Attorneys."

Suppliers can establish their legal relationship with a local representative in one of two ways: an ordinary work contract regulated by Labor Law 19.010, for which some legal guidance is advisable, or the more customary commercial or commission contract, by which the parties establish their own terms and conditions and are not bound by requirements of Law 19.010, especially its severance conditions.

The Chilean legal system, while fair, is not suited for speedy commercial dispute resolution. Therefore, consider reference to the Amcham's Arbitration Center or include the Center's standard arbitration clause (see www.amchamchile.cl). In establishing a contractual relationship with a local representative, the U.S. supplier should also ascertain its contractual liability vis-a-vis the representative under Chile's labor law.

American Chamber of Commerce of Chile

The American Chamber of Commerce of Chile (Amcham) is a non-profit organization with over 500 corporate members and over 2.400 individual members. Amcham conducts a variety of activities designed to promote bilateral trade and investment and provides a good way to meet U.S. and Chilean businesspeople. The U.S. Embassy in Santiago works extensively with the Amcham on a variety of issues and activities. The Amcham publishes a monthly magazine, The Journal. For more information on Amcham and its activities, please contact Jaime Bazan, General Manager, tel. (562) 290-9700, 290-9747 fax (562) 212-0515, web page www.amchamchile.cl

CHAPTER 5: LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENTS

Best Prospects for Non-Agricultural Goods

For industry Best Prospects, you can also check www.buyusa.gov/chile under Best Prospects.

Sector:	U.S. Exports to Chile for 2002 (Projected in millions of U.S. dollars)
1. Pollution Control	$650
2. Telecom Equipment	$270
3. Travel and Tourism	$220
4. Medical Equipment	$178
5. Franchising	$102
6. Computer Equipment	$100
7. Food and Processing Equip.	$91
8. Construction Equipment	$89
9. Mining Equipment	$28
10. Plastics Mach. & Resins	$23
11. Air Cond. & Refrigeration	$ 8
12. Electric Power Equipment	$ 8
13. Security Equipment	$ 7

1. POLLUTION CONTROL EQUIPMENT

Chile enjoys an open market with an import rate of 7% for most products, which is set to fall to 6% by 2003. In addition, Chile maintains trade agreements with several Latin American countries, resulting in lower import rates, sometimes as low as 0%. Chile also has bilateral trade agreements with Mexico and Canada and it recently completed negotiations with the European countries and is in the negotiating process with the U.S. for the Free Trade Agreement of the Americas.

U.S. firms are encouraged to find local partners and pursue local business and contracts not only in goods but also in technical services, engineering, and consulting, which generally represent value-added services and products highly regarded in the Chilean market due to their quality.

Water Sector

Due to the privatization of the water and sewage industry, to the effort of the government to regulate the industry, and investment and improvements in the sector, the Chilean market offers excellent opportunities for U.S. suppliers of sophisticated equipment, services, and expertise in this sector. Local sources indicate that imported equipment accounts for approximately 20% of the total cost of new plants and renovations.

While mining and industrial water use is more than twice that of domestic consumption, this sector also accounts for the largest contaminants of water. Until recently, there was no legislation regarding water and wastewater discharges. Most industrial waste was thrown into lakes, rivers, and sewage systems directly thus creating environmental hazards. With the implementation of norms to regulate the discharges of industrial wastewater into the sewage systems, the Ministry of Public Works established policies and enforcement guidelines for sanitary companies. The current target date for all wastewater to be treated under national guidelines is now 2006.

From the year 2000 to 2010, an estimated US$2.5 billions are required to complete projects in wastewater and sewage treatment, domestic water supply and improvement of the sewage system. Aguas Andinas, the largest provider of potable water in the Metropolitan area, has several projects planned valuing US$ 563 million in the next five years.

Solid Waste Sector

Increasing industrial production and rising consumption have produced substantial, uncontrolled wastes with environmental and social costs. Studies of the solid waste problem in Chile are relatively new. The solid waste management equipment and service market is slowly growing, and is limited now to a handful of companies.

Since the mid-90s, Chile has been working towards establishing the legislative framework and regulatory infrastructure to oversee the collection, transport, intermediate handling and final disposal of solid waste, in particular hospital and industrial hazardous solid waste. Market demand in this sector should increase markedly in the medium and long-term. Still, U.S. companies should begin to develop long-range plans (5 – 10 years) for promoting their equipment and service.

The passing of tangible regulatory laws will provide a stable base for investment, open the door to competition and create the facility treatment network. This will lower treatment prices for companies and increase demand for these services, in particular from small and medium-sized companies.

Approximately 60% of the total industrial solid waste generated in Chile is not yet controlled. The majority of polluters pay independent garbage collectors to haul away their solid waste for a small amount, and turn a blind eye to where it is deposited. Nevertheless, there is a growing trend to invest in new waste treatment methods, to avoid future problems or sanctions. Many industries are becoming more environmentally conscious. However, treatment and disposal costs are still the most important factor.

DATA TABLE (millions of dollars). 2002 statistics are estimates.

	2000	**2001**	**2002**
A. Total market size	1,400	2,500	3,700
B. Total local production	7	9	9
C. Total exports	0	0	0
D. Total imports	1,393	2,491	3,000
E. Imports from the U.S.	542	550	650

2. COMPUTERS AND PERIPHERALS

The U.S. is the largest supplier of computers and peripherals to Chile. Personal Computers represent the bulk of those imports coming from the U.S. In 2000, Chile imported $143.2 million of PCs and 64.5 percent or US$ 92.4 million came from the U.S. In 2001, there was 19.2 percent decrease of imports from the U.S., however, U.S. suppliers still kept a 62.1 percent market share, thus representing $74.6 million worth of PCs. Computer peripherals and parts follow a similar import pattern.

According to International Data Corp. IDC, the Chilean market for computers grew 43.5 percent in 2000, being boosted mostly by the education system (which grew 95 percent) and the government sector (which grew 80 percent). It is expected that computer sales will experience a grow around 10% this year as the market recovers from current slowdown caused by world depression, increasing Chile's installed base to 1.5 million computers or 9,6 units per 100 inhabitants. Currently, Chile ranks the highest in South America with 8,6 units per 100 inhabitants.

Personal computers, both desktops and laptops, along with printers show the highest demand in the market. These areas are expected to see major growth in the next few years.

After the Chile/Canada free trade agreement was enforced the tariff for importing computer products into Chile was eliminated. Now U.S. suppliers can compete in equal terms with other supplying countries.

Chile's major supplier of computers and peripheral is the U.S. accounting for over 60 percent of the market. The main competitors are Chine, Taiwan and Mexico.

DATA TABLE (Millions of dollars). 2002 statistics are estimates

	1999	**2000**	**2001**	**2002**

A. Total Market Size	182	201	169	189
B. Total Local Production	9	7	7	8
C. Total Exports	4	4	8	9
D. Total Imports	173	194	162	181
E. Imports from the U.S.	98	117	99	100

3. TELECOMMUNICATIONS

Chile's telecommunications sector is probably the most advanced one in Latin America. Due to an effective regulation regime, which has led the market to full competitiveness after privatization and market liberalization and a regulatory framework that adapts to industry changes.

Under the General Telecommunications Law, the Undersecretriat of Telecommunications (SUBTEL) regulates the telecommunications sector. Since ten years have elapsed since this telecommunications law was created, the Undersecretary of Telecommunications Christian Nicolai considers one of his priorities to review the current law and make the necessary changes. For SUBTEL's role and activities, please see www.subtel.cl where you will also find response to frequently asked questions.

SUBTEL is key to open the market by setting standards and issuing licenses and concessions. Wireless fixed telephony that allows operators to provide service in urban and rural areas with less investment and more rapid installation became operational in southern Chile. New technologies include local multi-point distribution service, third generation technology, which replaces analog and digital mobile telephony, and digital TV.

Until December 2001, basic telephone lines in Chile totaled 3,581,165 that represented a penetration of 23.1 lines per 100 inhabitants. At the same time, cellular subscribers reached 5,271,565, which means that 34 out of 100 persons have a cellular phone. In long distance, the traffic increased by 23.4 % compared to the previous year. Internet connections reached 712,834 by the end of 2001.

The Annual Telecommunications Report prepared by the Ministry of Transportation, Public Works and Telecommunications presented in June 2002 indicates that investment in the telecommunications sector decreased 6.9 percent compared to investments in the previous year. According to the report, this reflects the lower economic activity in the country, but it also reflects the crisis that the telecommunications sector is experiencing worldwide.

There are 13 operators of basic telephony, four of rural telephony, five mobile operators (cellular and PCS) and 22 long-distance carriers. Competition is fierce among telecommunications companies resulting in great benefits for the end-users.

DATA TABLE (Millions of dollars) 2002 statistics are estimates

	2000	2001	2002
A. Total Market Size	430	515	485
B. Total Local Production	22	25	20
C. Total Exports	11	15	12
D. Total Imports	408	490	465
E. Total U.S Imports	332	230	270

4. TRAVEL AND TOURISM SERVICES

The United States is the main destination overseas for Chilean travelers. The main reasons for Chileans' attraction to visit the U.S. is the excellent tourism infrastructure, entertainment, shopping and recreational activities mainly in the Florida region.

Even though, it has been difficult moments for the tourism industry, the U.S. has much to offer for tourism and U.S. companies should make a special effort to not only recuperate but increase the amount of Chilean travelers to the U.S.

The U.S. market share for 2001 reached 20 percent of the total market. Miami was the main destination for Chilean travelers, either because they were staying in Miami for tourism and shopping, or going to Disney World in Orlando, or using it as gateway for other U.S. destinations. As a result of Delta Airlines non-stop flights to Atlanta launched at the end of 2000, this destination was the fastest growing for 2001.

The Chilean airline, LAN Chile had 38 percent of the market, followed by American Airlines with 29 percent and United Airlines with 16 percent. Delta Airlines reached 9 percent of the market.

The major travel and vacation season for Chileans are the summer months of January and February. Approximately 30 percent of total Chilean travel is done during these two months. The second and third travel seasons are the months of July and September, which include winter and spring school breaks. Vacation travel is primarily associated with beach activities, good food, shopping and pleasure resorts.

The Visit USA Committee in Chile is an association that promotes tourism to the U.S. Being a member of the Committee is a real benefit. The Committee organizes the Destino USA Show, which is sponsored by the U.S. Commercial Service and it provides an excellent exposure for U.S. participants. This show is the most important annual event for promoting the U.S. as a foreign destination. The next show will take place on March 18, 2003 at the Inter Continental Hotel, Santiago, Chile. For further information visit: www.visitusa.cl

DATA TABLE (thousand of travelers) 2002 statistics are estimates.

	2001	2001	2002
A. Total market size (travelers worldwide)	1,628	1,600	1,200
B. Total U.S imports (travelers to the U.S.)	335	317	220

Market value is calculated based on the average stay (number of days) and average spending per day (dollars) yield and approximate expenditure of US$1,000 per visitor per visit.

5. FRANCHISING

The economic recession that started affecting Chile in late 1998 as a result of the Asian crisis constrained the development of new businesses including franchises. It is taking longer than expected for the local economy to recover from this crisis. However, industry specialists agree that the market is ready for new franchises to enter the Chilean market. There is still space for more specialized restaurant-related franchises. Best prospects include franchises that can compete with the sometimes non-existent or often inadequate services provided by small shops and businesses.

Approximately 50 franchise businesses now operate in Chile, with around 250 outlets. This industry sector provides direct employment for 12,500 employees and accounts for sales reaching $200 million. Most franchises now in Chile focus on the fast-food sector, including McDonald's, Au Bon Pain, Domino's Pizza, Pizza Hut, KFC and Burger King. A few service-oriented franchises have opened, including Mailboxes Etc., AlphaGraphics and Powerhouse Gym. There is a substantially unexplored market for franchising in full-service restaurants, nightclubs, amusement parks, automotive services, cosmetics, repair and rental services, cleaning (home and industrial), clothes, fitness centers, real estate business, education, childcare, hotels/motels, supermarkets and others.

Business opportunities include electronic trade and information technology, education and training and other sub-sectors such as co-branding and multiple-concept centers. For example, only a few training franchises and no pre-school chains now operate in Chile. Many local companies have franchised their successful businesses and even exported their concepts, currently accounting for 36% of the local franchise market. The franchising industry is projected to grow by 2% during the present year. Franchise companies operating in Chile currently are subject to regular trade laws.

Since this sector's early development in the 90's, where the majority of operating franchises were of foreign origin, the trend has been to shift to the locally developed franchises. Local franchises have increased their market share from 15-20 % to the current 36 % participation. Franchise operations of U.S. origin account for 51% of the total Chilean market.

6. MEDICAL EQUIPMENT

Chile currently spends approximately 7 percent of its GDP on healthcare and has doubled its health budget since 1990 to over $500 million, making it one of the largest government expenditure areas. The Chilean government guarantees healthcare coverage as a constitutional right and is committed to improving the national public-health system that provides healthcare for approximately 70 percent of the Chilean population of nearly 16 million. Several programs for large-scale purchases of modern equipment have received government approval as part of an effort to upgrade the public and private health sectors.

Chile's "Health in Action Program 90-2000" that has already called for an investment budget of over US$1 billion has permitted the delivery of new and re-constructed hospitals plus several modernization projects and the addition of new services. A large number of private hospitals and some public sector hospitals are expanding their present facilities or planning the construction of new ones.

Chile is well known for the openness of its trading and overall economic system. Foreign suppliers currently do not face significant trade barriers in entering the relatively open Chilean market.

The U.S. has been for years Chile's most important supplier of medical equipment holding about 50% of the market. U.S. main competitors are Japan and Germany.

DATA TABLE (Millions of dollars) 2002 statistics are estimates

		1999	**2000**	**2001**	**2002**
A.	Total Market Size	231	250	265	283
B.	Total Local Production	N/A	N/A	N/A	N/A
C.	Total Exports	N/A	N/A	N/A	N/A
D.	Total Imports	231	250	265	283
E.	Imports from the U.S	116	130	155	178

7. FOOD PROCESSING AND PACKAGING EQUIPMENT

Economic expansion in Chile (late 1980's) impacted the food processing and packaging industry, forcing it to develop rapidly. Food processing and packaging companies had to become competitive to survive, and invested large sums for technological updating and productivity enhancement. The market expanded significantly, and Chile became a major player as exporter of agro-industrial products, and an important recipient of foreign investment in the sector.

During the year 2001, the food processing and packaging industry did not grow significantly, mainly for the following reasons:

- The reactivation of the country's economy, which was already taking longer, than expected, is taking even longer as it is part of the global economy, impacted by the tragic events of September 11, 2001.
- Exports of food products dropped due to the extreme economic crisis of neighboring Argentina, an important consumer of Chilean processed food and packaging supplies. Lately, Brazil, another large market has also joined the economic/political crisis due mainly to political uncertainty in view of presidential elections.
- The commercial fishing sub-sector has been severely affected by overexploitation, largely reducing the country's production. The industry has become more concentrated, and many processing plants have closed down in recent years.

However, during the last 10 years, aquaculture has developed significantly, positioning Chile as the world's largest exporter of trout and the second largest of salmon. Exports of salmon and trout totaled $ million during 2001. Salmon farming is expected to continue its steady growth, and new aquaculture products are being developed. This subsector should provide grounds for important growth as the world's natural resources are scarcer.

The internal food industry market has become more competitive due to the economic contraction and its impact on consumers, and should grow due to the following:

- New technologies and better productive processes yield larger productions of better quality products.
- Consumers are becoming more demanding, and new legislation requires healthier products as well as environmentally friendly productive processes.
- The ever-increasing presence of women in the labor force calls for production of new products to replace home-cooked meals.
- The export oriented Chilean economy intends to emphasize exports of value added food products. Especially now, in view of the free trade agreement signed between Chile and the European Union, there is a good opportunity for exporting value added products such as processed food not only targeting the EU but also North America, and Asia.

The food-packaging and food-processing industries are extremely competitive and becoming more and more concentrated. Companies have been merging or absorbing each other, leaving a smaller number of companies to compete.

The U.S. is an important supplier of machinery for this industry, but Italy, Germany and other European countries are aggressive competitors, especially after the new free trade agreement with EU is in place.

DATA TABLE (millions of dollars). 2002 statistics are estimates

	2000	**2001**	**2002**
A. Total market size	159	163	165
B. Total local production	N/A	N/A	N/A

C. Total exports	8	9	8
D. Total imports	168	172	173
E. Imports from the U.S.	95	98	91

8. PLASTICS PRODUCTION MACHINERY AND RESINS

The Chilean economy has maintained a moderate growth rate. Demand for industrial equipment and supplies in general have grown accordingly. The plastics industry however, has shown a strength that has set them apart from other industrial sectors. As a whole, this industry will experience a 45% growth over the period 2000-2004, according to industry experts. During 1Q2002, imports of plastics processing machinery grew 150% compared to same period in 2001. A series of new projects and expansion of existing production plants fuel this growth. This increase is to support the production of plastic products that are mostly supplied to the food processing and flexible packaging industry, production which is mostly exported as a raw materials or included as wrappers of processed food products and fresh fruits. These new production units will generate an increased demand for polyethylene and PET.

The Chilean market is small by U.S. standards. Chile's average per capita consumption of plastic resins was 97lb/year in 2001 and industry projections are that by 2004 this should increase to 121lb/year. However, it is still below from the 132lb/year per capita consumption occurring in developed markets. The import potential for plastic resins looks very promising. However, US suppliers should keep in mind that mostly every single world supplier sells in Chile as well.

In 2001, U.S. imports accounted for 15 percent of all plastics-industry-related. This represents a decrease of 3 percent points compared to 2000. The first quarter of 2002 shows a drastic reduction on total imports as well as those coming from the U.S. Resins remain the largest group of products imported from the U.S. by the Chilean plastics industry. However, as a result of price advantages, Brazil has taken the lead a Chile's prime resins supplier.

DATA TABLE (millions of dollars) 2002 statistics are estimates

	2000	**2001**	**2002**
A. Total market size	580	593	502
B. Total local production	282	304	300
C. Total exports	79	85	34
D. Total imports	377	374	236
E. Imports from the U.S.	69	57	23

9. CONSTRUCTION EQUIPMENT

The construction sector was one of the "slow" sectors of the Chilean economy during 2001 and first half of 2002 as a result of the deceleration of local economy. Construction went from being the fastest-growing sector for over seven years (above ten percent per year) to continuing to be the laggard in 2002. However, construction spending should increase towards the year 2006. This reasoning is based on private and public construction projects scheduled for the period between 2002 and 2006: there is a portfolio of projects worth $22.3 billion. This forecast is based upon the reduction of the stock of new houses, on-going public infrastructure projects, expansion and construction of new malls, jails and several specialized industrial parks.

The public infrastructure construction program alone accounts for a total investment of 15 billion dollars to be completed by 2006. This program is currently under development through a very successful long-term private concessions program (based upon 15 to 30 year contracts) dedicated to construction of airports, highways, jails, schools and eventually hospitals. Currently, private investors (Chilean and foreign) have invested over $5.2 billions in 35 concessions.

Chile manufactures limited types of construction equipment (in particular heavy machinery); therefore the majority of such equipment is imported. Even where domestic producers exist, imported construction machinery and supplies are preferred for their quality and technology. U.S.-made products, with an average 40-percent market share, are highly preferred by Chilean users.

DATA TABLE (millions of dollars) 2002 statistics are estimates

	2000	**2001**	**2002**
A. Total market size	373	467	488
B. Total local production	240	260	280
C. Total exports	30	10	12
D. Total imports	171	217	220
E. Imports from the U.S.	58	79	89

10. ELECTRIC POWER EQUIPMENT

The electric sector in Chile has remained dynamic for more than a decade. Driven by a sustained and steady growth in demand for electric power, has averaged 8 percent yearly. This sector is based on two main not-interconnected grids, the SING and SIC.

The Northern Interconnected System (SING) --100 percent thermal generation-- supplies all mining companies and the urban demand derived from the sparse cities spread over a large geographical area. The SING has experienced a major quantitative jump in the available electric power supply, traditionally based on coal-fired power plants. The increased supply came as electric power as such and, indirectly, as natural gas. The major transformation of SING resulted from the introduction of natural gas imported from Argentina via two large gas pipes --supplying several gas-fired combined-cycle power plants. These technological change introduced plants of a generation capacity unseen in this market --all-new generation units are larger than 300MW-- and as a whole these new units have added more than twice the electric generation capacity existing five years ago. However, the increased electric power generation also brought instability to the system resulting from just a handful power plant supplying the whole system. Here there are business opportunities for companies able to supply technological solutions, which may increase the quality of service.

The Central Interconnected System (SIC) relies largely upon hydraulic electric power generation. The arrival of natural gas from Argentina also introduced major changes in this system. However, SIC is still dominated by hydraulic power generation, thus subject to shortages resulting from repeated severe drought episodes. It is expected in the near future that, as natural gas reaches larger areas of the central southern part of Chile, modern combined-cycle gas-fired plants will replace new generation plants and those old and more expensive generation units. Nevertheless, thermal generation based on coal and diesel remains as the second, but more expensive, source of power. This change in the supply of energy sources came to solve an imminent shortage of electrical power some three years ago.

There are business opportunities for several hundred million dollars derived from the need of some 400-500MW/year every year, required to cover the ever-growing demand of SIC. There are varied alternatives being considered to close the supply gap of SIC:

- Interconnection of SING (which has over capacity) with SIC. The estimated investments would be in the $250-400 millions range.
- Expansion and/or construction of gas pipes coming from Argentina and eventually from Bolivia, that would supply new combined-cycle gas-fired plants at some $400 millions each.
- Interconnection of SIC with the Argentinean grid. However, it is anticipated that this alternative in spite being technically feasible (of the 300 km, 140 km would have a great difficulty level in crossing the Andes mountains) and it may require intense political and economic policy coordination in both countries.
- Expansion of the transmission grid managed by SIC.

DATA TABLE (millions of dollars) 2002 statistics are estimates

	2000	**2001**	**2002**
A. Total market size	96	129	125
B. Total local production	38	42	102
C. Total exports	12	8	2
D. Total imports	70	95	25
E. Imports from the U.S.	16	19	8

This market potential could be 10-15 times larger subject to the development of several projects pending, involving electric power generation, transmission and distribution.

11. MINING EQUIPMENT AND SUPPLIES

Mining is the traditional moneymaking sector for Chile, comprising 8.4 percent of GDP and 44.3 percent of all exports in 2001. Mining is expected to grow five percent annually on the long run through 2005 with projected investments exceeding six billion dollars for this period. However, growth expectations for 2002-2003 will heavily depend upon the recovery of copper prices.

The mining sector had exports in 2001 valued in 7.8 billion dollars. These exports are supported by the output of a well-developed industry demanding state of the art production technology, particularly in the copper mining sub-sector. Mining production will continue to lead Chilean industry because of foreign and domestic investment in projected new mines and/or modernization and expansion of existing ones. The parastatal CODELCO is the world's largest producer of copper, but private mines (including those with international ownership) produce two-thirds of all Chilean copper, exhibiting an ever-growing share.

Mining sector experts foresee a modest growth of 2 percent for 2001, which compares poorly with a 5 percent or more experienced less than five years ago. Public and private investment in mining production will exceed $4 billion through 2005 and for 2002 is expected investment for some 1 billion dollars. These values may double if copper price in the international market bounce back from the current 70 cents per pound or so to the more traditional level of 85 to 90 cent per pound. To illustrate the impact of market prices, at the current level of exports, an increase of just one cent of a dollar per pound of copper exported represents an increase of $120 millions in revenue. Projected investment figures are underestimated, since they include only mining projects already identified and under construction. Sustained low world mineral commodity prices have affected investment in recent years, slowing development and postponing temporarily marginal projects.

U.S.-made mining equipment enjoys of great receptivity by the sector. Close to half of all the equipment installed in new and expansion projects comes be from the U.S. because of perceived excellent quality, after-sale service and compliance with delivery dates. Brazilian, Canadian, Japanese and German manufacturers are aggressive competitors in Chilean market.

<u>DATA TABLE (millions of dollars)</u> 2002 statistics are estimates

	2000	**2001**	**2002**
A. Total market size	310	398	366
B. Total local production	220	240	240
C. Total exports	25	11	1

D. Total imports	116	169	127
E. Imports from the U.S.	53	67	28

12. AIR CONDITIONING AND REFRIGERATION

The Chilean market for air conditioning and refrigeration (ACR) is largely composed of imports. In 2001 seventy-five percent of imported products came from Brazil, Italy, the United States, South Korea and Germany**.** For the first quarter of 2002, imports from the U.S. account for 1,045,563 million (approximately nine percent) of the total imports. The market for household air conditioning is small; the main market is for industrial and commercial use. According to local producers, local manufacturing of air conditioning or refrigeration equipment is on the rise.

Goods are sold via local representatives or distributors and, lately, directly by manufacturers; such is the case for York and Carrier. Local vendors offer what are known as industrial refrigeration projects that provide an integral solution for each client. In country sustained high quality services are essential to maintain market share. The primary industrial clients are construction, fishing, fresh fruit, meat and dairy products processing, chemical industries, laboratories, hotels, supermarkets, restaurants and automobiles.

Opportunities exist in most of the industrial sectors. One particular example is the salmon industry, in which ACR is heavily used in processing and transport. Chile is ranked number two immediately after Norway in the world in this sector. The supermarket industry is also promising; several supermarket chains are implementing expansion plans this year. The burgeoning fresh-fruit export industry could provide additional opportunities. Refrigeration for small trucks and light pick-ups is an attractive niche to supply growing distribution networks for perishable goods.

DATA TABLE (millions of dollars) 2002 statistics are estimates

	2000	**2001**	**2002**
A. Total Imports	110	108	76
B. Total Local Production*	12	13	14
C. Total Market Size	122	121	90
D. Total Imports from U.S.A/PR	23	18	8
E. Total Exports	27	38	29

*Local Production statistics are unofficial estimates.

13. SECURITY EQUIPMENT

The security industry in Chile still offers an interesting opportunity for U.S. exporters, although the statistical data shows an import decrease. The estimated growth rate for this year is 3 percent. The security equipment that continues to be in demand includes access control, fire detection, home automation, CCTV, outdoors photoelectric beam detectors for perimeter protection, integrated systems, sprinkler systems, intrusion, and signage and lighting. Last year, the Ministry of Public Works and the Ministry of Justice launched an international auction for four concession contracts to build and operate 10 prisons, include designing, building, equipping and maintaining the medium and high security prisons. The ten prisons will involve investment of US$250mn and will be awarded in four packages. This project will represent a good opportunity for U.S. suppliers of prison security equipment.

During 2001, the imports for this industry came mainly from the U.S. (29 percent), followed by Canada (15 percent) and Taiwan (10 percent).

DATA TABLE (millions of dollars) 2002 statistics are estimates

	2000	**2001**	**2002**
A. Total market size	29	22	22
B. Total local Production	5	2	2
C. Total exports	0.5	0.4	0.4
D. Total imports	23	25	25
E. Imports from the U.S.	7	7	7

Best Prospects for Services

Chile's economy has experienced rapid growth in the past fifteen years, with poverty levels cut in half. From infrastructure to cell phones, Chileans are demanding improvements in productivity and quality-of-life-enhancing products and services. The U.S. is a model for Chileans society in technology, convenience, and marketing strategies. U.S service exporters are well positioned for entering or expanding their presence in Chile, especially in the following ten sectors:

1. Express shipping and delivery services including cargo handling, facilities development, logistics and planning, port development, warehousing, distribution and related business-to-business distribution services.

Technology and logistics are a key factor in modern trade. These concepts need to be developed and become operational in a country that actively participates in the global international's economy. Chile entered the 21st century with increased Internet usage, and projecting important growth in net sales. Creative and efficient logistic chains must be in place to cover present activity and future growth.

The appearance of large warehouses and specialized storage centers shows that there is a market for outsourcing both storage and distribution operations. A few new companies have been created to better serve the market by providing importation services, reception, storage, transportation, distribution of merchandise, and complete and timely information on the different stages of the mentioned process. In the last 15 years, but especially between 1995 and 2001, the accumulated investment reaches US$ 170 million, corresponding to approximately 750 thousand square meters of warehouses and storage facilities throughout the country, mostly concentrated (about 60%) in four Santiago areas: Quilicura, Lampa, Renca and Colina.

There is indeed room for many more companies like this to operate throughout Chile's regions. As a result of electronic and technological development, each region will become more integrated to the rest of the country. Even before the late developments in technology, companies began outsourcing certain services. In spite of the fact that there is still a larger market to develop and further specializing to do in the mentioned services, services such as cargo, handling, storage distribution, and express shipping (within Chile and internationally) are available for companies to contract.

2. Database development, data processing, and related services, including credit reporting, electronic data interchange, and transaction processing services.

Data centers and data outsourcing are available and are a growing market. Chile is strong in software development and data processing, and opportunities for joint ventures exist. Opportunities exist in software localization and implementation of turnkey database packages and most importantly maintenance services. Credit services are a well known and commonly used tool for business decision making in the country. For example, Equifax is in Chile after acquiring the local company DICOM, a well-recognized credit reporting business.

Electronic banking is becoming popular, as banks understand the cost reduction benefits of using the Internet for regular transactions. With weaknesses in security, reliability and speed, electronic banking is an open market for U.S. technology and services.

3. Franchising, including both fee and royalty-based services and other services provided incidentally to the development and operation of business networks based on a franchise system.

The recent economic crisis that effected Chile slowed the development of new businesses, including franchises. However, industry specialists agree that the market is ready for new franchises to open and operate in the country. Even though most of the franchises currently operation in Chile are in the fast food business, there is plenty of space for service franchises to establish themselves in contrast with the non-existent and inadequate services provided by small shops and businesses. Most of the well-known fast food companies are already in the Chilean market. There are approximately 50 franchise businesses operating, with around 250 franchise stores. This industry sector provides direct employment for 12,500 employees and accounts for sales reaching US$ 200 million.

The largest business opportunities include training and other sub-sectors such as co-branding and multiple concept centers. Education and training are other areas in which franchise must grow. For example, there are just a few training franchises, and no pre-school chains operating in Chile. Many local companies have exported their concepts, accounting for 36% of the franchise market. The franchising industry is projected to grow by 2% during the present year.

4. Internet services not covered elsewhere, including web-based auction, advertising and related services, website design services, and website hosting services.

Demand for Internet services in Chile are growing rapidly along with Internet usage. Business opportunities in this sector will grow as the private sector and government work to promote electronic commerce. Users of the Internet in Chile are 12% of the population or 1.8 million inhabitants. Users navigate the Internet primarily for education, email, work and chat. Less than 10% of Chilean Internet individual users buy on the Internet, limiting the potential of e-commerce services. However, G2B and B2B e-commerce transactions are expected to reach over $6 billion, thus generating an interesting opportunity to U.S. exporters. The Lagos government is making proposals to Congress designed to encourage the use of the Internet and electronic commerce, such as making on-line signatures and have made statements to suggest that public policy will be designed to encourage investment in development in Chile.

5. Architectural services, including residential, commercial, landscape, and urban planning design services.

As a result of long term economic growth experienced by Chile for fifteen tears, their citizens have become more sophisticated and have eagerly adopted a number of designing trends that are popular in developed countries. US and European architectural firm are thus finding a friendly environment with businesses to be developed in the area of new high rise office buildings, shopping malls, urban planning, golf courses, marinas, and other facilities related to the leisure industry.

In spite of the last two years shrinkage experienced by the construction industry in Chile, foreign investors have focused their attention in this market. Currently there are seven international real estate firms operating in Chile and more are expected to arrive. This boom is the result of growing interest in local real estate investment in Chile, prompting the firms to open up offices. The arrival of these international firms to Chile means that new foreign capital will be available for real estate projects. Some of the foreign firms now doing business in Chile include Cushman and Wakefield Semco, Mackenzie Hill, Tramel Crow, and CB Richard Ellis.

With regard to home leasing, as of January 31, 1996, the Superintendent of banks and financial institutions approved new regulations governing the sector's involvement in the residential leasing program, initiated by the government. Existing leasing firms are authorized to acquire housing for the purpose of leasing, at the request of clients. Banks and financial institutions will be able to form subsidiaries for the exclusive purpose of residential leasing operations. The superintendent establishes minimum assets these companies must have in order to be eligible.

6. Engineering, surveying, and related services, excluding energy-related services.

The New York Inter American Commerce for Consulting Engineers (NYICCE) made a tour to several Latin American countries in 1997. According to this US organization, opportunities for doing business in Chile were cataloged simply as hot. Taking due consideration to the recent regional economic slow down, business is still hot in Chile.

The conditions existing in Chile for a US engineering service provider could not be more favorable. According to Law 12,851, Article N°6 (of 1958), any foreign engineer, subject to a temporary fob contract, may practice engineering after properly registering with "Colegio de Ingenieros de Chile." Prospective for foreign engineers must submit accrediting documents and a valid license from their country of origin to be considered for registration.

U.S. and other foreign engineering firms have a strong presence in Chile. It is customary that these local branches subscribe contracts for engineering services with their US based headquarter offices. Actually, the most active and those with the largest market share in Chile are all either US owned or US based companies, such as Fluor Daniel, Bechtel, and Kvaerner.

7. Environmental engineering and public utilities, excluding energy-related services, including reclamation and remediation services, solid waste and wastewater treatment and disposal facilities, and municipal water treatment plants and distribution facilities.

Chile has many different environmental problems and it is moving ahead with its plan to achieve a cleaner environment. Many activities in this area are making slow progress. There is a great opportunity for U.S. companies to get involved in this process.

Demand for environmental services include a full range of independent environmental consulting services, such as environmental impact assessments and permitting, base line studies, environmental audits and management, pollution prevention, and project design and construction of wastewater and sewage treatment plants.

The size of the environmental consulting market is estimated to be US$ 80 millions with a growing rate of 20 to 30 percent in the next years as environmental regulations and new standards deadlines are produced and enforced. It is estimated that the U.S. has one third of this market, competing mostly with

Canadian and European companies.

The most effective way to enter the market is to work with an established local consulting firm until the potential for success of an independent branch office is determined. In Chile it is important to have local knowledge and contacts to identify opportunities and navigate through the bidding and permitting systems. The main competitive advantage that a U.S. firm can offer is a serious, long-term market presence intention, solid, proven experience in the field, and effective solutions for local conditions at a competitive price.

Currently, the water sector offers excellent short-to-medium term opportunities for the construction of wastewater collection and treatment infrastructure and in the rehabilitation and expansion of water supply. U.S. consulting, design and engineering companies should form teams with other international and local companies to offer a full range of services and bring in sufficient financial resources. It is estimated that about US$ 10 billion might be invested in the next five years on reduction of wastewater.

8. Equipment and machinery leasing, installation, and maintenance, or other services primarily produced by or for the agricultural, manufacturing, or mining sectors, excluding energy-related services.

Leasing is one of the financial services sectors that experienced a major expansion over the last five years. Leasing services available in Chile range from leasing photocopiers, trucks and cars, to heavy equipment provided by U.S. and other foreign manufacturers for the Chilean copper mining industry.

In spite the development experienced so far, leasing services have not yet covered the whole spectrum as known in the US. Most of the leasing services are only available to government, private corporations and individual firms. Individuals generally so not have access to leasing services, except to buy new or used homes.

An indication that leasing services is a hot issue can be derived from the fact that the Chilean Banking Association has expressed their interest to the new government by asking it to open up the local capital market. The financial sector is also urging the new government to create specialized banks for different activities, such as for leasing.

Leasing represents a gross business amounting in the order of several billion dollars. European banks are quite active funding syndicated leasing operations for large Chilean corporations. The flagship carrier LanChile has secured financial resources for $1.5 billion to buy seven new Airbus planes.

GE has estimated the regional market of Chile, Peru, and Bolivia as exceeding $250 million, whether leasing machinery, providing credit card administration, or for financing infrastructure projects.

9. Maritime transportation services, including cargo handling, equipment fueling and maintenance, facilities development, logistics and planning, port management, and similar services.

The volume of international transactions and cargo transfer has not grown significantly during the last few years. The rise in oil prices made it even more difficult for the maritime transportation industry, which diversified its activities by participating in consortia, being awarded the concession for the operations of the largest Chilean ports.

The strengthening of vertical integration improved the result of economic performance of the largest shipping Chilean companies: Compania SudAmericana de Vapores (Claro economic group), and Ultramar Agencias Maritimas (Von Appen economic group). Coinciding with the international trend, the Chilean maritime transportation market is highly concentrated, with the two mentioned companies plus Maersk/Sealand and P&O Nedlloyd accounting for approximately 70% of the market share. Local shipping companies cover the remaining 30% of the market.

The reactivation of Chile's economy is slowly taking place, even though immersed in the world aftermath of September 11, 2001, it has been a lot slower than projected. The development of information technology and the telecommunication industry call for electronic communication between the key elements in maritime transportation. The electronic infrastructure would make all process steps more agile and efficient. Port facilities, customs, shipping companies, and forwarders should all be connected electronically to facilitate operations.

There is a potential market for companies involved in these operations, especially given the potential future growth of international trade. In view of the recent free trade agreement signed between Chile and the European Union, further development of trade with the EU is foreseen. There is a growing need for more efficient maritime transportation service, including fast and less expensive port operation, cargo handling, storage services, and all other services required for the logistic chain connecting the exporters' warehouse and the end-user/consumer facilities.

The three main potential market niches are:

a) Local maritime transportation or coastal sailing:

Several factors make coastal sailing a good alternative for cargo transfer. Transfer costs of maritime shipping services are at a competitive advantage when compared to those of surface or air transportation of cargo. The railroad infrastructure and operative system is inadequate, insufficient and inefficient. There have been several unsuccessful attempts to revamp the railroad system. Chile's geographic characteristics and inadequate road infrastructure make it expensive to operate surface transportation services.

b) International trade between Chile and other countries:

There is a potential opportunity for a Chilean port facility, and the need for maritime transportation to transport natural gas pipeline from Bolivia to the United States. Even though still in the preliminary study phase, this project calls for natural gas to be transferred from Bolivia to Chile through a pipeline, and transferred to the U.S. by ship. If the Bolivian natural gas is transferred through a Chilean port –the alternative being a Peruvian port, even though recognized to be less viable --, it would probably be through the port of Mejillones or the Port of Iquique in northern Chile.

Additionally, the slow reactivation of Chile's economy provides the need for additional maritime transportation services, cargo handling and storing, facilities development, and creative logistic solutions for the increased volume of cargo to be transferred internationally. Approximately 90% of international trade cargo is transferred through maritime transportation.

Some of the most important port facilities such as Valparaiso, San Antonio, San Vicente Talcahuano, etc., passed from a state-owned and state-managed port operation system to concession-granted operations. These port systems and infrastructure improved their operations and prices have been lowered.

c) Chile and trade with neighboring countries and the rest of the world (bi-oceanic corridors):

Chile's neighboring countries, Argentina, Bolivia, Brazil, and Paraguay have increased their trade with Pacific Asia and North America. As a result, there is a great potential for bi-oceanic corridors to be developed. For example, cargo from south Brazil originating in the industrial area of Sao Paulo, or transferring from Santos can be transferred by surface to the ports of Arica or Antofagasta. Cargo originating in, or in transit from Montevideo and Buenos Aires, can be transferred through the central area ports of Valparaiso or San Antonio. Cargo from southern Argentina can cross by surface through the Neuquen area and be transferred at the ports of San Vicente Talcahuano or other ports in southern Chile.

10. Education and training, including examination preparation, language, management, and technical training services.

Chile needs to upgrade its educational system, mainly related to the public educational systems. To do so, the Ministry of Education (Mineduc) has initiated an innovative program to improve the current level of public education. School hours per day have increased, even though not mandatory for the time being until the proper and required infrastructure is in place. Information technology will be available and increased (where it already exists) at schools, and emphasis will be put on increasing the number of technical schools. We can divide the needs and requirements for educational services in four areas:

a) Pre-school, elementary, and secondary education (K-12):

- Pre-School Education: There is an opportunity for innovative pre-school and nursery schools since the existing ones are small and basic. There are no large chains or franchises that cover the pre-school curriculum. There are very few security standards in pre-schools and the ones that have them are basic.

- School/High-school (1-12): To operate a school, it must be approved/authorized by the Ministry of Education. Most Chilean students attend public schools, but students belonging to the high-end socio-economic levels attend private schools. However, the quality of public education is poor. The existing private schools are mainly traditional schools, even though as a result of the increase in population, new schools have been opened following the educational standards and lines of the older and more traditional ones.

b) Technical Schools and Institutes:

- High School: The trend is to increase the number of schools that can train students so they can graduate from high school with a technical degree. This is a good option for lower middle class and lower class students who must graduate from high school and immediately enter the labor force.
- Labor force: This is one of the market niches in which foreign companies can participate. Chile features low investment in training for its labor force; the average training hours per year per worker is 32. The ongoing modernization of the industrial processes, the increase of international trade, and the export-oriented economy of Chile urgently call for better-trained and qualified personnel. A government program allows for funds invested in personnel training and educational services, to be deducted from taxes (Sence). However, Chilean companies do not take advantage of this opportunity, and view training as expenditure instead of investment. This attitude, however, is bound to change in order to improve competitiveness and cost reduction. There is an excellent opportunity for training services as long as the right marketing strategy and price rates are met.
- Chilean executives: Several post-graduate and master degrees are currently available in Chile. Many universities, both private and traditional, hold agreements with foreign universities and educational institutions from the U.S., England, Spain and other countries. Many executives or graduates go abroad (mainly the U.S.) to obtain their masters degrees or doctoral degrees.

c) University Education: Until 1980, 8 universities operated in Chile: two private and six state-owned. Some of these universities had branches throughout the country. During the military regime, the system was liberalized, authorizing branches of the existing universities to become autonomous, and promoting the opening of new private universities. Twenty-five "traditional universities" were originated from the initial 8, and between 1981 and 1992, a total of 43 private universities opened and were accredited by the Consejo de Educacion Superior, which depends from the Ministry of Economy. This entity regulates the establishment and operation of all universities in Chile.

d) Language Education: This is a good market niche to provide services. English is undoubtedly the international language for business, technical and professional studies in almost all sectors. Being fluent in English sets a big difference when it comes to studying, applying for a job or social activity related to business. There are many language institutes operating in Chile, some of them from the U.S., but according to embassy sources, they are not very effective. There is room for effective language courses with creative, attractive techniques and adequate fees.

Best Prospects for Agricultural Products

Based on size, market growth rate and the U.S. competitive position in the market, the following individual products have the greatest potential for sale in Chile: corn; wheat; corn gluten feed; forage seeds; pet food; soy protein isolates and concentrates; oak staves for wine barrels; candy; processed cheese; condiments; snack foods; nutritional sport bars; frozen dinner entrees; and edible nuts.

The broad menu of grains and feed ingredients available for export from the United States throughout the year creates opportunities for sales whenever competition from Argentina and other nearby suppliers weakens. Chile's vineyards continue to expand, creating demand for oak casks for aging wine. Increasing numbers of pet owners are using prepared pet foods, but competition is fierce from suppliers based in Mercosur. Chile's food-processing industry is using soy protein in many prepared foods. The growing supermarket and convenience store industry is looking for new products to satisfy upscale consumer demand for new condiments, snack foods, sport bars, candy, prepared frozen foods and nuts. Expanding fast-food restaurant chains are demanding processed cheese for hamburgers and pizzas. The government's long-term program to improve pastures for livestock offers the potential for sales of forage and grass seeds.

In other areas, U.S. exporters of consumer-oriented products should focus on identifying an import agent and developing niche markets. New opportunities may be found in supplying Chile's institutional food sector. The food manufacturers also offer a market for selected ingredients not locally available.

2001 Agricultural Imports by Chile (millions of dollars)

Total (from world)	1,338
From the U.S	108
U.S Share	8%
Chilean Agricultural Surplus with U.S	1,230

2001 Principal U.S. Agricultural Exports to Chile (millions of dollars fob)

Wheat	4
Mixed feeds & fodders	25

Coarse Grains	1
Planting Seeds	5
Poultry Meat	1
Snack foods	6
Pet food	5
Processed fruit & vegetables	3
Sugars, Sweetners, Beverages	4
Tree Nuts	2
Forest Products	14

Source: U.S. Bureau of Census Trade Data

2001 Principal U.S. Agricultural Imports from Chile (millions of dollars fob)

Table Grapes	356
Salmon	365
Wine	128
Seed corn	52
Peaches and Nectarines	47
Apple Juice	38
Plums	30
Apples	26
Kiwis	14

Source: Central Bank of Chile

Significant Investment Opportunities

Chile remains open to foreign investment (see Chapter 7), and investment opportunities mirror the best prospects (see sectors described above). For specific investment and concession opportunities offered by the government of Chile, see www.compraschile.cl. Additional information on specific projects can be obtained through the U.S. Commercial Service in Santiago. For official information on investing in Chile, contact:

Comite de Inversiones Extranjeras (Foreign Investment Committee)
Karen Poniachik, Executive Vice President
Teatinos 120, P. 9, Santiago, Chile
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www.foreigninvestment.cl Email: cinver@tmm.cl

CHAPTER 6: TRADE REGULATIONS AND STANDARDS

Trade Barriers

Chile generally has few barriers to imports or investment allowing foreign firms to enjoy the same protection and operate under the same conditions as local firms. Certain imported luxury goods such as yachts, some types of jewelry, furs and others are also subject to luxury taxes. The following goods are subject to a 50% luxury tax: gold, platinum, and white ivory articles; jewelry and natural or synthetic precious stones; fine furs; mobile home trailers; caviar conserves and their derivatives; pyrotechnic articles, such as fireworks, petards, and similar items (except for industrial, mining or agricultural use); air or gas arms and their accessories (except for underwater hunting); and fine carpets and similar articles. Differentiated taxes on alcohol are the following:
13% for non-alcoholic drinks, natural or artificial
15% for wines, Champaign, chicha, cider and beer
27% for grape pisco and similar beverages
28% for liquors, including aguardiente and liquorice wines similar to vermouth.
30% for whisky.
Imported automobiles are also subject to luxury tax based on 85 percent of the value difference above $15.740,21
5% tax is applied to minibuses with the capacity of 10-15 passenger seats (including the driver's).
Tobacco products—cigarettes, cigars and processed tobacco—are affected by additional 60.4%, 51% and 57.9% taxes, respectively.
Imports are subject to the same 18 percent Value Added Tax (VAT) as are domestic goods.

One of Chile's most important non-tariff barriers is the requirement that all imported livestock products originate in facilities previously inspected by the Chilean Ministry of Agriculture. Import restrictions on fresh fruit are gradually being resolved, with more U.S. products now allowed to enter Chile. Imports of unprocessed U.S. poultry are still prohibited. Chilean grading and quality standards on beef are unique in the world and effectively prohibit imports from the U.S. Chile only approves the import of processed food products on a case-by-case basis. There is no blanket approval process for permitting identical products to enter Chile after they have been tested and found in compliance with local health regulations. To enter a product, the importer must obtain the permission of the Health Service Officer at the port of entry, who will take samples and perform the necessary tests. This processes raises the overhead cost of introducing new products into the market. Labeling and fortification standards are also unique to Chile's Health Ministry and sufficiently distinct from U.S. standards that some U.S. processed food products must be labeled and/or formulated especially for Chile. These issues are being addressed in bilateral negotiations with the Government of Chile.

Chilean law hurts sales of certain other industries. For example, international pharmaceutical companies argue that current law does not provide effective patent protection.

Customs Valuation

Chilean customs valuation uses the normal value of merchandise, without special discounts, plus freight and insurance (CIF). Used goods are valued by the customs service according to the current new value of similar merchandise, discounting ten percent per year of use, up to a 70-percent discount.

Import/Export Documentation

Commercial forms used by both local importers and exporters are commercial invoices, certificates of origin, bills of lading, freight insurance and packing lists. Special permission, certificates, and approval documents are required in special cases and can be obtained from National Health Service (Servicio Nacional de Salud, SNS), the Agricultural and Livestock Service (Servicio Agricola y Ganadero, SAG), and the National Fishing Service (Servicio Nacional de Pesca, SERNAP), depending on the nature of the products to be imported.

Temporary Entry

Temporary imports of goods are authorized for government-approved exhibitions and for temporary demonstrations. For Chilean government-approved exhibitions, no duty or VAT is levied. Goods may remain in the country up to six months, but must be kept in a warehouse. Goods imported for temporary demonstration purposes require the resident end-user or potential purchaser to obtain a temporary admission certificate from Chilean customs and are taxed based upon the number of days they are in the country.

Labeling, Marking Requirements

Imported products customarily consumed by the public must display the country of origin before being sold in Chile. Packaged goods must be marked to show the quality, purity, ingredients or mixtures, and the net weight or measure of the contents.

Canned or packaged foodstuffs imported into Chile must bear labels in Spanish for all ingredients, including additives, manufacturing and expiration dates of the products, and the name of the producer or importer. All sizes and weights of the net contents also must be converted to the metric system. Goods not complying with these requirements may be imported but not sold to consumers until conversion is made. Thus, foodstuffs labeled in English have to be re-labeled in Chile before they can be sold.

Prohibited Imports

The importation of used passenger and cargo transportation vehicles is prohibited. Exceptions to this import restriction include used ambulances, armored cars, mobile homes, prison vans, street and highway cleaning vehicles, cement-making vehicles, hearses, and fire-fighting vehicles. (Fire-fighting vehicles are not subject to import duty, and VAT is paid on their CIF value only.)

Standards

In general, standards are not mandatory, but companies can voluntarily comply with them, especially in industries where such compliance constitutes a sort of "seal of approval." However, certain imported products, such as those pertaining to industrial safety, building and construction materials, and the gas and electricity industries, must comply with specific resolutions applying to the supervising entity. Those specific regulations are mostly pertinent to the seismic endurance of new constructions. The National Standards Institute (Instituto Nacional de Normalizacion, INN) has included the ISO 9000 standards as part of Chilean standards and is in charge of their promotion among local manufacturers. The chemical industry is one of the few industries that has incorporated the ISO 9000 standards to its industrial processing lines.

Free Trade Zones/Warehouses

Chile's two free-trade zones are the Free Zone of Iquique (ZOFRI) in the northern tip (Region I) of Chile and the Free Zone of Punta Arenas in the southern tip (Region XII). ZOFRI encompasses the free ports of Arica and Iquique. ZOFRI is a major entry point for products bound for Bolivia and to a lesser extent for products going to Peru, Paraguay and northern Argentina. Punta Arenas also has a free port. Modern facilities for packaging, manufacturing and exporting exist in each zone.

Duties and VAT requirements are as follows:

a) imports entering and remaining in Chile's free-trade zones pay no duty or VAT;
b) imports leaving the free trade zones but remaining in regions I or XII (considered "extended" duty-free zones) pay a 4.4 percent import duty but no VAT. This tax is deductible when the merchandise is exported to the rest of the country;
c) imports leaving the free-trade zones to enter the greater Chilean market pay full tariff and VAT charges;
d) as they are subject to negotiations with Chilean customs officials, imports can remain in-bond for extended periods while awaiting transshipment to other countries.

Imported goods may remain in customs warehouses for 90 days. If said goods are unclaimed after the 90-day period, the goods will be declared abandoned by Customs and sold at public auction.

Special Import Provisions

Animal Health and Phytosanitary Requirements: Chile continues to have animal health, phytosanitary and sanitary requirements that impede imports. In particular, the application of certain requirements for poultry is a non-tariff barrier seemingly meant to discourage imports. Chilean authorities have in some instances eliminated or liberalized specific requirements when presented scientific evidence by U.S. animal health or phytosanitary officials. All food products entering Chile are subject to sampling and analysis by health authorities.

Firearms can be imported, but they require a special permit from a military authority in Chile.

The import of pharmaceutical specialties, cosmetics and most biological and bio-chemical preparations requires prior registration with the Institute of Public Health (Instituto de Salud Publica) and may be subject to special labeling and other requirements, depending on the nature of the individual product.

Imported goods that are considered inconsistent with Chilean "morals, public health, national security, or environment" require special authorization to enter into Chile. These include certain chemicals/processes and some media products that face review and possible censorship. All films, videos and TV programs, imported or locally produced, currently are reviewed for suitability.

Membership in Free-Trade Arrangements

Chile has free-trade agreements with Canada, Mexico, Colombia, Venezuela, Ecuador and Costa Rica that provide for duty-free trade in most products. Chile is an associate member of Mercosur (Argentina, Brazil, Paraguay and Uruguay) and has a trade liberalization agreement with Bolivia. Free trade negotiations are underway with United States, Peru, and South Korea. Chile just finished negotiating with the European Union a Free Trade Agreement that is expected to be ratified by the Chilean and the European Parliament by the end of 2002.

CHAPTER 7. INVESTMENT CLIMATE

Openness to Foreign Investment

A key feature of the government of Chile's development strategy is a welcoming attitude towards foreign investors, embodied in the country's 1974 foreign investment statute, known as D.L. (Decree Law) 600. Chile conducts pro-forma screening of foreign direct investment, and the law requires that the government's Foreign Investment Committee approve investment proposals. Approval procedures are expeditious, and applications are typically approved within a matter of days and almost always within one month. Since 1991 nearly all foreign direct investment in Chile has taken place through D.L.

600, but investors choosing not to use the law may invest via the provisions of Chapter XIV of the Central Bank's Foreign Exchange Regulations.

Under D.L. 600, investors sign standardized contracts with the government of Chile. The contracts give investors the right:

-- to receive non-discriminatory treatment;
-- to participate in any form of investment;
-- to hold assets indefinitely;
-- to remit or reinvest earnings immediately (and to remit capital after one year);
-- to acquire foreign currency at the inter-bank rate of exchange; and
-- to opt for either national tax treatment (under which local firms are taxed at a rate of 35 percent on fully distributed earnings) or for a guaranteed tax rate (currently set at 42 percent).

Chile's investment statute was recently modified in a series of major economic policy moves. The first of these was the elimination of the one-year residency requirement for foreign capital entering Chile under Chapter XIV of the Central Bank's Foreign Exchange Regulations (provisions generally used for portfolio investments). As of May 2000, this type of investment capital may be repatriated immediately, adding to Chile's open investment climate.

A second major move was the elimination of the "encaje," or lock-in, which required foreign investors to deposit a variable percentage of foreign-sourced loan funds and portfolio investment with the Central Bank in a non-interest-bearing account for up to two years. However, in response to pressure on the current account as a result of the successive Asian, Russian, and Brazilian financial crises from late 1997 to early 1999, the Central Bank reduced the "encaje" rate from 30 to 10 percent in June 1998 and to zero two months later. Although the device was held in reserve for future use, the Central Bank permanently eliminated the "encaje" in April 2001. Additional reforms eliminated controls on flows of foreign capital into Chilean debt and equity markets and freed outflows associated with capital returns, dividends, and other investments from the need for Central Bank approval.

Chile's openness to foreign investment, along with its wealth of natural resources, has led to nearly $45 billion of new foreign investment since 1974. Foreign investors have purchased many of the assets privatized by the Chilean government over the last decade, and future privatization efforts offer additional opportunities. In these processes, foreign firms compete on an equal basis with domestic firms. Note that top management (but not ownership) of radio and television broadcasting firms is reserved for Chilean nationals. Additionally, while banks are allowed to establish either branches or subsidiaries, other financial firms must establish subsidiaries.

Note also that the major exception to the government's openness to foreign investment is the fisheries sector. According to 1991 amendments to the navigation law (D.L. 222), vessels fishing in Chile's

200-mile Exclusive Economic Zone (EEZ) must have majority Chilean ownership (although exceptions are made for some distant waters). The law permits bilateral agreements to allow foreign-owned vessels to fish in Chile's EEZ, but no such agreements have been concluded. National treatment is also denied for cabotage; instead, reciprocity is applied.

Conversion and Transfer Policies

Pursuant to recent changes in regulation governing foreign exchange, investors, importers, and others are guaranteed access to foreign exchange in the official inter-bank currency market without restriction.

The Central Bank reserves the right to disallow access to the inter-bank currency market for royalty payments in excess of five percent of sales. The same restriction applies to payments for the use of patents that exceed five percent of sales, although in such cases, firms would have access to the informal market. In addition, the Chilean internal tax service reserves the right to prevent royalties of over five percent of sales from being counted as expenses for domestic tax purposes.

Expropriation and Compensation

Chilean law grants the government authority to expropriate property, including property of foreign investors. The 1973-1990 military regime and the three subsequent democratic governments have not nationalized any private firms, and nothing suggests that any expropriation is likely to occur in the foreseeable future.

Dispute Settlement

Except for U.S. investment covered by Overseas Private Investment Corporation (OPIC) insurance, disputes involving U.S. investors are typically settled in negotiations between the investor and the concerned government entity. Any dispute not resolved in this way is referred to local courts for adjudication, although the time required may make this an unattractive option for foreign investors. Accordingly, litigants often choose to settle out of court. Suit may be brought under expedited procedures in cases involving the abrogation of constitutional rights.

Several bilateral investment protection agreements between Chile and other countries allow for binding international arbitration between the government of Chile and investors. Different agreements contain varying procedures; some allow the investor to choose either the host country's legal system or international arbitration but not both, while others specify that disputes must pass through the host country's legal system before recourse to international arbitration. Chile joined the International Center for the Settlement of Investment Disputes in 1991.

Although the U.S and Chile do not have a bilateral investment treaty (BIT), the Chilean-American Chamber of Commerce (Amcham) has established an arbitration panel consisting of local experts and businessmen to hear international contractual disputes. Formed in cooperation with the American Arbitration Association, the panel is meant to provide an alternative to judicial court procedures, and companies electing to utilize the panel agree to abide by its decision. Many issues normally covered in a BIT will be addressed in the U.S.-Chile Free Trade Agreement currently being negotiated.

The judicial system of Chile is transparent and independent of government involvement. The likelihood of government intervention in dispute adjudication is very low, but possible. If a state-dependent firm is involved in the dispute, the government of Chile may become involved through the Defense Council of the State (Consejo de la Defensa del Estado). Judgements made by foreign courts are valid in Chile upon the approval of the Chilean Supreme Court.

The Chilean bankruptcy law is consistently applied, and public notice is required. It is important to note that a creditor can seek a judgment of bankruptcy on a debtor solely on grounds of breach of payment. The judgment does not have to be based on financial insolvency. Once a judgment of bankruptcy has been made, a receiver is named to distribute the debtor's assets to the creditors.

Performance Requirements/Incentives

The government's Foreign Investment Committee does not apply performance requirements in its review of projects.

Chile does not subsidize foreign investment, and while no special tax exemptions are offered to foreign investors, certain incentives are available to both foreign and Chilean firms investing in the extreme northern or southern areas of the country. Large investments may also qualify for certain concessions.

Right to Private Ownership and Establishment

Except for the fisheries sector and others noted above, Chile does not restrict the right to private ownership or establishment.

Protection of Property Rights

Chile has a very strong regime for the protection of property rights, including secured interests in property. A functioning legal system safeguards investments by Chileans and foreigners alike.

Although Chile's intellectual property regime is generally compatible with international norms, its protection of patents remains deficient. Patent protection provided by the 1991 industrial property law (fifteen years from the date of grant) is inconsistent with the international norm of twenty years from filing. Chile also lacks comprehensive trade secret protection and a sui generis statute for protecting the design of semiconductors.

Plant and animal varieties are not considered patentable subject matter under the current law. No transition, or pipeline, protection for pharmaceutical patents filed before the law's promulgation is provided. Because of the long lead times involved in the marketing of new pharmaceutical products, the law will not prevent local companies from pirating foreign pharmaceutical patents for several more years. In addition, the registration procedures as required by the Ministry of Health to market new drugs are more onerous for the first to file, which tend to be foreign firms. These shortcomings have kept Chile since 1989 on the U.S. Trade Representative's Special 301-watch list of countries with deficient intellectual property rights protection regimes.

Still, efforts to enforce intellectual property rights in Chilean courts have been successful, and the country belongs to the World Intellectual Property Organization. Legislation to bring intellectual property protection into compliance with the WTO agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) was submitted to the Chilean congress in October 1999 but is still awaiting congressional approval as of mid-2002.

Chile's copyright law grants recording companies the right to authorize the use of a work for 50 years. U.S. recording industry representatives have said that the law grants more power to authors relative to producers than is the industry norm.

Chilean law provides for the protection of registered trademarks and places priority on trademark rights according to filing dates. Currently, local use of the mark is not required for registration. Payments for the use of trademarks may not exceed one percent of sales.

Trademark protection is less than airtight. Many parties can and do register well-known trademarks owned by U.S. companies. When challenged, Chilean courts usually vacate such trademark registrations, but because the process may require several years and substantial expense, foreign claimants often opt to buy back trademarks rather than file suit.

Transparency of the Regulatory System

Chilean regulatory systems tend to be very transparent. Government regulators have little discretion in many of their acts, and very simple regulatory schemes tend to minimize discretion where it does exist. However, rulemaking processes are not transparent and do not generally include provision for public hearing or comment.

Efficient Capital Markets and Portfolio Investment

Chile's capital markets are well developed (approximately $75 billion) and open to foreign portfolio investors. Credit is allocated on market terms and is available to foreigners, although the Central Bank does reserve the right to restrict foreign investors' access to internal credit if a credit shortage exists. To date, this authority has never been exercised.

Publicly traded Chilean companies attract substantial international investment, which is aided by an effective regulatory system. Along with the elimination of the one-year capital residency requirement in May 2000, the Central Bank eliminated the "*encaje*" and other controls on capital flows and authorized the issuance of peso-denominated bonds overseas. In late 2000 the Chilean congress also approved legislation (known as the OPA law) on public stock tenders that provides greater legal protection of minority shareholder rights.

The Chilean banking system is very sound with $45.4 billion in assets, with a majority number of foreign affiliated banks. The total assets of the largest banks in Chile, according to the Superintendence of Banks, are as follows: Banco Santiago, $7.3 billion; Banco del Estado de Chile, $5.6 billion; Banco Chile, $5.6 billion; and Banco Santander-Chile, $5.3 billion. Banking licenses are granted by the Superintendence of Banks and Financial Institutions.

Political Violence

**Over the last ten years, there have been relatively few incidents of politically motivated attacks on projects or installations, and Chile is considered a low-threat country. Anti-American sentiment, civil disorder, and terrorism are rare, and there have been no incidents involving international terrorist groups. (USE LANGUAGE IN CONSULAR SHEET).

Corruption

Corruption in Chile has always been limited. It exists, but only on a small scale. The laws that combat corruption are found in various articles of the penal code and in the administrative statute of 1986; application of the latter is the responsibility of the office of the Comptroller General of the Republic (Contraloría General de la República) and of the Comptroller General of Congress. Chile has signed and ratified the Organization of America States (OAS) Convention against Corruption.

Chile is also a signatory to the Organization for Economic Cooperation and Development (OECD) Convention on Combating Bribery, which was ratified in March 2001; however, Chilean law has not yet been modified to implement the act and make bribing a foreign official a crime. Bribes are not tax deductible. A wide range of subornation is punishable as a crime under the penal code, and penalties applied are relative to the crime. All forms of bribery are the responsibility of the Comptroller General. There is a chapter of Transparency International in Chile, and the country ranked 18th on the organization's corruption index in 2001 (with the U.S. ranking 16th). On the same index, Chile ranked first among Latin American countries.

Bilateral Investment Agreements

Chilean officials have signed bilateral investment protection agreements with more than fifty countries, including Spain, Germany, Switzerland, France, the United Kingdom, Australia, Belgium/Luxembourg, Malaysia, China, Argentina, Brazil, Cuba, Peru and Venezuela. Fourteen of these agreements are awaiting ratification by the Chilean congress.

Although Chile does not have a bilateral investment agreement with the U.S., officials from the two countries are in the process of negotiating for a bilateral tax treaty. Until the treaty is concluded, U.S. and Chilean investors can be taxed in both countries, although in practice the IRS usually grants credits for taxes paid in Chile. In addition, U.S. and Chilean officials are in the process of negotiating a free trade agreement expected to be completed in late 2002.

OPIC and Other Investment Insurance Programs

A bilateral investment agreement with the Overseas Private Investment Corporation (OPIC) took effect in 1984. Three years later, the U.S. suspended OPIC operations in Chile due to Chile's failure to recognize internationally accepted standards of worker rights. OPIC coverage in Chile resumed in October 1990 after reforms of the country's labor code.

Chile signed the convention of the World Bank's Multilateral Investment Guarantee Agency (MIGA) in 1986. MIGA's first project involved Chile, and the organization has remained active in the country.

Labor

Chile has enjoyed generally calm labor relations over the last decade. Although strikes have been infrequent, employees in health, education, and communications have held strikes in the last few years. In addition, the privatization of some Chilean ports has led to labor disputes.

Union membership is voluntary, and approximately 13 percent of the workforce is unionized. Multiple unions exist in many companies, and management can negotiate collective agreements with any of the unions or with ad hoc groups of workers. Unions can form confederations or nationwide labor centrals and can affiliate with international labor federations. There is no sectoral bargaining; contracts are negotiated at the company level.

The government of Chile is currently holding tripartite talks and has submitted proposed reforms of the labor code to the Chilean Senate. Chile is a signatory to all International Labor Organization (ILO) core conventions on worker rights.

Foreign Trade Zones/Free Ports

The ports of Iquique, in the extreme north of Chile, and Punta Arenas, in the extreme south, were designated free trade zones in 1977. In these zones, merchandise can be deposited, transferred, terminated, or commercialized without restriction. Mining and some fishing companies are excluded from the free trade benefits. Foreign firms have the same investment opportunities in the free-trade zones as Chilean firms.

Foreign Direct Investment

In 2001, the flow of U.S. investment in Chile, the largest of any single country, totaled approximately $1.76 billion. Italy was second with $0.9 billion, and Australia was third with roughly $0.4 billion. Other major foreign investors in Chile (in order of importance) are the Spain, Canada, United Kingdom, Japan and Australia. New investment in agriculture and livestock, construction, energy, fishing and aquaculture, forestry, and transport and communications totaled $0.87 billion in 2001, while new mining investment was roughly $0.89 billion (see statistical annexes).

The total stock of foreign direct investment (FDI) in Chile in 2001 was $44.2 billion, and total inflows in 2001 were $4.4 billion. The total stock of FDI was 59.6 percent of Chile's 2001 GDP, and FDI inflows equaled approximately 5.9 percent of 2001 GDP.

Chilean Foreign Investors

Regulations governing foreign investment by Chilean individuals and non-financial corporations are limited. While financial firms must face fairly extensive regulations, the Central Bank is gradually erasing certain restrictions. Insurance companies, pension funds, and banks may invest an increasing portion of their assets abroad in a narrow range of low-risk instruments.

According to Central Bank statistics, total flows of Chilean investment abroad, principally in Mercosur and in neighboring countries, have surpassed $18 billion since 1995. Chile's net investment abroad neared $4.5 billion in 2000.

Statistical Annexes

Foreign Direct Investment in Chile – By Country (millions of dollars)

Country	**1999**	**2000**	**2001**	**1974-01/#**
United States	1,909	734	1,759	15,320
Spain	4,583	710	393	9,371

Canada	450	665	218	6,539
United Kingdom	311	205	382	2,609
Australia	6	38	430	1,738
Japan	224	53	118	1,550
Italy	51	96	920	1,470
South Africa	40	4	12	1,395
Netherlands	181	83	93	1,334
France	608	43	57	1,217
Argentina	47	92	27	620
Finland	3	3	0	521
Switzerland	44	197	5	492

#: Total invested over the period. Does not reflect repatriation of capital and may not reflect current value of investments.

Source: Foreign Investment Committee, Ministry of Economy

Foreign Direct Investment in Chile – By Sector (millions of dollars) through 2000.

Sector	**1999**	**2000**	**2001**	**1974-01/#**
Mining	1,221	236	898	16,016
Services	1,910	684	705	11,127
Electricity, Gas, and Water	4,560	860	908	8,716
Industry	780	202	755	6,596
Transport and Communications	360	869	1,284	4,261
Construction	215	29	166	1,133
Fishing and Aquaculture	1	92	6	271
Agriculture	21	22	10	259
Forestry	19	3	1	243

#: Total invested over the period. Does not reflect repatriation of capital and may not reflect current value of investments.

Source: Foreign Investment Committee, Ministry of Economy

Largest Foreign Direct Investment Projects in Chile (millions of dollars invested)

Project	**Investor**	**Source Country**	**Sum**
Enersis	ENDESA Spain	Spain	3,183
La Disputada	Exxon Minerals	U.S	2,483

La Escondida	BHP/RTZ/JECO/IFC	Australia/U.K/Japan/ Int.	1,887
Collahuasi	Amcoll/Japan/Falcon-bridge	South Africa/Japan/ Canada	1,635
El Abra	Cyprus Minerals	U.S.	1,350
Endesa Chile	ENDESA	Spain	1,315
Los Pelambres	Nippon/Los Pelambres	Japan/U.K.	994
Zaldivar	Zaldivar/Outokumpu	Finland/Canada	984
Methanex	Methanex Chile Ltd.	Canada	896
First Boston	Credit Suisse First Boston	Switzerland	750
La Candelaria	Phelps Dodge/Sumitomo	U.S/Japan	670

Source: Foreign Investment Committee, Ministry of Economy

CHAPTER 8: TRADE AND PROJECT FINANCING

Brief Description of Banking System

The banking system offers many of the asset and liability products available in the international markets. Foreign trade financing and money exchange operations are particularly active and efficient compared to the rest of Latin America.

This sector is regulated by the Superintendence of Banks and Financial Institutions, an agency that reports to the Minister of Finance. The Central Bank, which is autonomous from the government in conducting monetary policy and regulating foreign capital movements, also regulates bank operations.

The only Chilean banks with a direct presence in the United States are Banco Chile, which has branches in New York and Miami, and Banco Santiago, Scotia Bank, Banco de Credito e Inversiones, and CorpBank with representative offices in New York.

U.S. banks operating in Chile (see list at end of chapter) concentrate on corporate lending for multinationals and Capital market activities (wholesale), although Citibank and BankBoston are active in retail banking.

Foreign Exchange Controls Affecting Trading

Foreign Exchange operation is particularly active and efficient by Latin America standards. As a general rule, currency may be freely traded in two markets—the informal and the interbank market (formal). Prior to receiving authorization, the Central Bank requires that the trade finance transactions, foreign loans, capital flows, and profit repatriation be executed only through a commercial bank (formal market).

On April 19, 2001 the Chilean Ministry of Finance, in conjunction with Central Bank, proposed a broad series of new measures designed to eliminate obstacles and restrictions on foreign capital. The proposed eliminated restrictions would include restrictions for incoming and outgoing foreign capital, the reserve requirement for external capital, the prior authorization to enter funds associated with external loans, investment, working capital, bonds, and ADRs. Limitations on capital and profit repatriation would also be eliminated. Foreign Trade Finance operations (Import and Export) are allowed to perform foreign exchange transactions in the informal market. These new measures are still in the approval process in the congress with the urgent status (Fast Track).

General Financing Availability

Different available financing sources include direct investment, bank debt, bonds, stocks, and, since 1993, issuance of American Depository Receipts on New York stock exchange. Euro and Samuray bonds are also utilized. The larger corporations use sources from bank debt to public sources of funds such as stocks and bonds issued to local and international capital markets.

Chile has consistently received high investment grade ratings by Moody´s and Standard & Poor´s— since 1990. As of July 2002, S&P rating for Chile was upgraded from –A to A. Some 26 Chilean ADRs are traded on the NYSE.

How to Finance Export / Methods of Payment

Payment to suppliers is often made via an irrevocable letter of credit from a Chilean Commercial bank to the supplier. This is fast and simple, with no lengthy delays in the remittance of foreign currency. Payments are made upon receipt of notice of shipment of goods. Other methods of payment to suppliers include cash against documents and open account. Suppliers dealing in open account usually have to develop a long-standing relationship with the buyer.

Types of Available Export Financing and Insurance

The US Export – Import Bank and the overseas Private Investment Corporation provide credit and insurance programs for US exporters and investors in Chile. The Inter-American Development Bank and World Bank loan programs are available. For agricultural and food products, the USDA Commodity Credit Corporation offers export credit guarantees for exporters to Chile.

Private companies can take advantage of different programs like the World Bank International Finance Corporation (IFC), which provides financing to private sector companies for infrastructure. The IFC is particularly interested in non-traditional industries, cross-border operations, and asset securitization.

Other sources that companies use are the German program (KFW), French program (COFACE), and Spanish and Japanese programs, which are for energy sector and infrastructure.

Available Project Financing

Major project financing is available through issue of equity and bonds in the international capital market and through syndicated loans. The U.S. Export Import Bank offers project financing in Chile. The amount of financing depends exclusively on the US content of the proposed project. For more information about Ex-Im Bank please see www.exim.gov.

U.S. Banks in Chile	**Phone (56-2)**	**Fax (56-2)**
American Express Bank Ltd.	350-6700	335-8308
Bank of American NA	243-7200	243-7393
BankBoston	686-0000	686-0760
The Chase Manhattan Bank NA	425-5100	425-5415
Citibank NA	338-8000	338-8155
Republic National Bank of NY	695-2002	698-7512

U.S. Correspondent Banks in Chile	**Phone (56-2)**	**Fax (56-2)**
Banco BHIF	679-1000	679-1350
Banco BICE	692-2000	696-5324
Corp Banca	687-8000	696-0271
Banco de A. Edwards	388-3000	388-4012
Banco de Crédito e Inversiones	692-7000	695-3750
Banco de Chile	637-1111	637-3434
Banco de Santiago	648-4000	695-1138
Banco del Desarrollo	674-5000	671-5547
Banco Internacional	369-7000	369-7367
Banco Security	270-4000	270-4025
Scotia Bank	692-6000	698-6008
Banco del Estado	670-7000	670-5478

Non-Chilean Banks operating in Chile	**Phone (56-2)**	**Fax (56-2)**
ABN Ambro Bank	396-5000	396-5666

Banco Dresdner Banque Nat. de P.	688-0411	688-0422
Banco de la Nación Argentina	671-2045	698-7341
Banco Do Brasil	336-3001	336-3005
Banco do Estado de Sao Paulo	695-1307	672-2459
Banco Exterior	385-7000	385-7099
Banco Santander	320-2000	672-3166
ING Barings	330-0600	330-0650
The Bank of Tokio Ltd.	203-1180	203-1190
Banco Sudameris	638-1514	633-0957

CHAPTER 9: BUSINESS TRAVEL

Business Customs

U.S. business people will find that business practices in Chile and the United States are very similar. The business day usually begins at 9 a.m. and ends between 6 and 7 p.m. Lunch breaks usually begin at 1 p.m. and are an hour long, unless business is being conducted, in which case two to three-hour lunches are common. Although social occasions rarely begin at the indicated time, business meetings nearly always do.

Many Chilean business people are well-educated professionals who travel internationally and speak English. However, not all speak English, and foreign business people will often find the ability to speak Spanish very useful, if not an absolute must. Promotional literature should be in Spanish.

Travel Advisory and Visas

There are neither current travel warnings nor public announcements regarding Chile specifically. Nonetheless, visitors should be aware of the criminal environment in Santiago. Street crime, endemic to many South American cities, is a concern. One should be particularly alert in the downtown area, taking care not to visibly where expensive jewelry. There is also potential for violent student and/or political protests. These may occur at any time during the year and generally take place within proximity of government buildings. There is currently a possibility for violence against United States citizens and interests throughout the world in response to tensions in the Middle East. Official precautions should be taken seriously and visitors should maintain awareness of their surroundings. See the State Department consular information sheet for Chile at www.travel.state.gov

SAFETY AND SECURITY: The U.S. Government remains deeply concerned about the security of Americans overseas. As a result of U.S. military actions in Afghanistan in response to the September 11 terrorist attacks, there is a potential for retaliatory actions to be taken against U.S. citizens and interests throughout the world by terrorists and those who harbor grievances against the United States. The Department of State urges Americans to review their circumstances carefully and to take all appropriate measures to ensure their personal safety. Americans are urged to monitor the local news and maintain contact with the nearest American embassy or consulate. The Department will continue to develop information about potential threats to Americans overseas and to share with them credible threat information through its Consular Information Program. Information is available on the Internet at http://travel.state.gov and the Embassy's website at http://www.usembassy.cl.

Due to the presence of suspected terrorist organizations in the Tri-Border Area (Argentina, Brazil, and Paraguay), activities related to terrorism are a concern in the entire region. However, there are no reports of credible threats directed specifically against American interests in Chile. Traditionally, September 11-18 is an active period for public demonstrations. Violent political, labor, or student protests can occur at other times also, often near government buildings in Santiago and Valparaiso or in the vicinity of major universities. Regardless of when or where such assemblies occur, American citizens traveling or residing in Chile are advised to take common-sense precautions and avoid any large gatherings or any other event where crowds have congregated to demonstrate or protest. Additional advice about demonstrations, particularly during the September period, may be obtained from the U.S. Embassy at the telephone numbers listed below.

There are credible reports that land mines may pose a danger to hikers in remote sections of several popular national reserves and parks near northern border areas, including Lauca and Llullaillaco National Parks, Salar de Surire National Monument, and Los Flamencos National Reserve. Visitors should check with park authorities before entering less-traveled areas and observe all warning signs. There are also demarcated land mine fields in the Magallanes region of southern Chile, between Punta Arenas and the Torres del Paine National Park, and on Tierra del Fuego, which should be strictly avoided.

CRIME: The U.S. Embassy is receiving an increasing number of reports of the theft of purses, wallets, backpacks, and luggage containing passports, credit cards, and money. Thefts have been reported in restaurants, bus stations, airports, and other places frequented by tourists. There has also been a rise in the report of thefts from hotel rooms, including rooms in better hotels.
Street crime is a problem in metropolitan Santiago in general and specifically in the city center. One should be particularly alert while walking in the downtown area, especially in the late afternoon, after dark, or on weekends, even in well-traveled areas. In Santiago and other large Chilean cities, thieves thrive on crowds on the street during rush hour and aboard public transportation.

Petty crime is also prevalent at crowded tourist locations, at Metro (subway) stations, on trains and buses, and occasionally in taxis. Rates of such crime have increased markedly in the last year. Persons wearing expensive-looking jewelry or carrying luggage or cameras are favorite targets for pickpockets and purse-snatchers. Bags and briefcases may be stolen from chairs in restaurants and outdoor cafes. Outside Santiago, robberies and assaults have occurred most frequently in the Vina del Mar and Valparaiso areas, which become increasingly crowded during the height of the Chilean summer season (December through March).

Individuals whose passports are stolen will be required to obtain duplicates of their tourist cards from the Policia International before they can depart the country.

The loss or theft abroad of a U.S. passport should be reported immediately to the local police and the nearest U.S. Embassy or consulate. U.S. citizens may refer to the Department of State's pamphlets, *A Safe Trip Abroad* and *Tips for Travelers to Central and South America*, for ways to promote a more trouble-free journey. These publications are available by mail from, the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402; via the Internet at http://www.access.gpo.gov/su_docs; or via the Bureau of Consular Affairs home page at http://travel.state.gov/.

Business people who visit Chile usually enter on a regular tourist visa, which is issued by immigration officers at the airport upon arrival. American citizens must pay a fee of $61.00 at the international check-in point and must be prepared to pay the exact amount in dollars; the visa is valid for ten years or the date of expiration of the U.S. traveler's passport, whichever comes first. Business and tourist visitors are granted stays of 90 days, which can be extended for additional 90 days by the Registro de Servicios e Identificaciones, Of. de Extranjeria (Agustinas 1235, 4th floor, Santiago, Chile - Phone: (56-2) 550-2400), or the Gobernacion Provincial outside of the capital. Renewing a business or tourist visa has a cost of US$ 100.00 per person. For further information see www.chile-usa.org.

Individuals who intend to stay in Chile for more than 90 days but less than a year for business purposes should obtain a visa from a Chilean consulate in the U.S. Once in Chile, holders of this visa should register at the Policia Internacional (located at Barros Borgono 1052), where they will be issued a Certificado de Registro. Individuals temporarily residing outside Santiago should register at the corresponding Gobernacion.

Business people may also be granted a Resident Subject to Contract (Residente Sujeto a Contrato) visa. This visa is issued to those who have been contracted to carry out a specific job, requiring certain qualifications. It is valid for up to two years, and such visa holders are allowed to have their spouses and children also reside in the country. A new visa is required if the visa holder changes companies. This visa is also obtained at the Registro de Servicios e Identificaciones, Of. de Extranjeria (Agustinas 1235, 4th floor - Phone: (56-2) 550-2400, Santiago, Chile).

For those business people who intend to make sizeable investments in Chile, a temporary resident visa may be advisable. This visa is valid for one year, and can be extended for a second year. It may be obtained at the Registro de Servicios e Identificaciones, Of. de Extranjeria (Agustinas 1235, 4th floor - Phone: (56-2) 550-2400, Santiago, Chile).

Travelers considering scientific, technical, or mountaineering activities in areas classified as frontier areas are required to obtain authorization from the Chilean Government at least 90 days prior to the beginning of any expedition.

For current information concerning entry and customs requirements for Chile, travelers can contact the Chilean Embassy in Washington, D.C. or the nearest Chilean Consulate to their U.S. residence. (See Chapter XI, "U.S. and Country Contacts")

Americans travelling abroad are strongly advised to consult their medical insurance company to confirm whether their coverage applies overseas and whether it will cover emergency expenses. Although Medicare and Medicaid programs typically do not cover expenses incurred overseas, many travel agents and private companies can provide insurance plans that do. Americans should also consider that many doctors and hospitals require payment in cash before prior to providing service. For more information see www.cdc.gov.

Driving in Santiago is similar to the United States, although extra awareness will be helpful in a few areas. First, local drivers switch lanes without signaling, so extra precaution should be taken. Second, Santiago's anti-pollution laws cause certain streets to switch direction during the morning and evening rush hours. The same laws also limit the number of automobiles eligible to be driven on certain days. License plate numbers dictate which automobiles are eligible on which days. Third, for a foreigner to drive legally, he/she must have an international driver's permit. Failure to do so may result in legally penalties, including detention.

Holidays

The following are Chile's legal holidays for 2003. Some dates will vary on an annual basis.

Holiday	**Date**
New Year's Day	January 1
Good Friday	April 18
Easter Sunday	April 20
Labor Day	May 1
Commemoration of the Battle of Iquique	May 21
Corpus Christi	June 19
Saint Peter and Saint Paul	June 29
Assumption Day	August 15
Independence Day	September 18

Day of the Army	September 19
Columbus Day	October 13
All Saints' Day	November 1
Immaculate Conception	December 8
Christmas Day	December 25

Business Infrastructure

Business operations develop in a climate of free enterprise and free trade. Simplified bureaucratic procedures are the rule, making the Chilean business environment one of the most transparent and friendly in Latin America. The labor force is regarded as competent, productive, and relatively well educated. Current trends include innovation in export products and in a wide range of services for the domestic market. High foreign and domestic investment have added new technologies to industrial processes and increased competition in distribution and marketing.

A number of business groups control large segments of the economy, but at the same time, the number of medium-size and small companies is growing. Large-scale business is conducted through local corporations whose shares are quoted on the stock market. Since the 1970's, the Government of Chile has carried out a very successful privatization program that has transferred hundreds of companies and public services to private operators, many with foreign capital participation.

U.S. companies established in Chile have maintained successful operations in Chile for decades. The Chilean-American Chamber of Commerce has a large membership of U.S., Chilean and international firms and effectively represents the interests of the corporate community in Chile.

CHAPTER 10: ECONOMIC AND TRADE STATISTICS

Country Data

Population:	15.2 million
Growth Rate:	1.4%
Labor force:	5.95 million
Religion	
Catholic:	77.0%
Protestant:	12.0%
Agnostic/ Atheist:	6.0%
Government System:	Bicameral Democracy
Language:	Spanish

Work Week: 48 hours

The Domestic Economy
(In US million dollars unless otherwise indicated)

	1999	2000	2001	2002*
Nominal GDP	67,761	71,273	74,123	67.108
Real Growth (%)	-1.1	4.4	2.8	3.2
Per Capita GDP (USD)	4,864	4,928	4,314	4,200
Inflation (%)	2.3	4.5	2.6	2.7
Unemployment (%)	9.7	8.3	7.9	8.0
Government Spending/GDP	24.0	25.0	25.0	24
Reserves (year-end)	14,741	14,741	14,226	14.103
Exch. Rate (pesos/USD)	508.8	539.5	634.9	680
Foreign Debt (year-end)	34,167	36,599	37,673	38,989
U.S. Economic and Military Aid	0.3	0.3	0.3	0.3

* Provisional data
Source: Chile Central Bank (**www.bcentral.cl**)

Trade Statistics
Chilean-U.S./Imports and Exports
(Millions of dollars)

	1999	**2000**	**2001**
Chilean Exports	15,615	18,158	17,616
Chilean Imports	13,951	16,731	15,856
Imports from U.S.	2,985	3,087	3,693
Exports to U.S.	2,812	3,452	3,216
U.S. Pct. of Imports	21	18	23

Source: Chile Central Bank (www.bcentral.cl)

Investment Statistics

See data for Foreign Direct Investment in Chile, by country and by sector, in Chapter 7- Foreign Investment.

CHAPTER 11: U.S. AND COUNTRY CONTACTS

Chile Government Agencies -- http://www.gobiernodechile.cl/

Ministerio de Relaciones Exteriores (Ministry of Foreign Relations)
Soledad Alvear V., Minister
Catedral 1158, P. 3; Santiago, Chile
Tel: (56-2) 696-2574; Fax: (56-2) 696-8796 www.minrel.cl

Ministerio de Hacienda (Ministry of Finance)
Nicolas Eyzaguirre G., Minister
Teatinos 120, P. 12, Of. 32; Santiago, Chile
Tel: (56-2) 671-0706; Fax: (56-2) 671-6479 www.minhda.cl

Ministerio de Economia y Energia (Ministry of Economy and Energy)
Jorge Rodriguez, Minister
Teatinos 120, P. 10; Santiago, Chile
Tel: (56-2) 698-3115 or 672-5164; Fax: (56-2) 696-6305 www.economia.cl

Ministro de Minería (Ministry of Mines)
Alfonso Dulanto Rencoret, Minister
Teatinos 120, Piso 7; Santiago, Chile
Tel: (56-2) 671-2481; Fax (56-2) 698-9262 www.minmineria.cl

Ministra de Defensa Nacional (Ministry of Defense)
Michelle Bachellet Jeria, Minister
Dirección Villavicencio 364, Santiago, Chile
Tel: (56-2) 222-1202; Fax (56-2) 634-5339 www.defensa.cl

Ministerio de Trabajo y Prevision Social (Ministry of Labor and Social Security)
Ricardo Solari, Minister
Huerfanos 1273, P. 6; Santiago, Chile
Tel: (56-2) 753-0500; Fax: (56-2) 753-0505 www.mintrab.gob.cl

Ministerio de Obras Publicas, Transportes y Telecomunicaciones
(Ministry of Public Works, Transportation & Telecommunications)
Javier Etcheberry, Minister
Morande 59, P. 6; Santiago, Chile
Tel: (56-2) 421-3000; Fax: (56-2) 421-3131 www.moptt.cl

Ministerio de Salud Publica (Ministry of Public Health)
Osvaldo Artaza Barrios, Minister
Mac Iver 541, P. 3; Santiago, Chile
Tel: (56-2) 630-0412 or 630-0413; Fax: (56-2) 632-2405 www.minsal.cl

Ministerio de Vivienda, Urbanismo y Bienes Nacionales
(Ministry of Housing, Urbanism & State Property)
Jaime Ravinet, Minister
Alameda 924, P. 4; Santiago, Chile
Tel: (56-2) 351-3401; Fax: (56-2) 633-6521 www.minvu.gob.cl

Ministerio de Agricultura (Ministry of Agriculture)
Jaime Campos, Minister
Teatinos 40, P. 9; Santiago, Chile
Tel: (56-2) 393-5000; Fax: (56-2) 671-6500 www.minagri.gob.cl

Government-Related Agencies

Banco Central (Central Bank)
Carlos Massad, President
Agustinas 1180; Santiago, Chile
Tel: (56-2) 670-2000; Fax: (56-2) 697-2271 www.bcentral.cl

Banco del Estado (State Bank of Chile)
Jaime Estevez, President
Alameda Bdo. O'Higgins 1111; Santiago, Chile
Tel: (56-2) 670-7000; Fax: (56-2) 670-5008 www.bancoestado.cl

Centro de Investigacion Minera y Metalurgica, CIMM (Mining and Metallurgy Research Center)
Ignacio Moreno, Executive Director
Parque Antonio Rabat 6500, Vitacura; Santiago, Chile
Tel: (56-2) 364-3300; Fax: (56-2) 364-5043 www.cimm.cl

Comision Nacional de Energia (National Energy Commission)
Vivianne Blanlot, Executive Secretary
Teatinos 120, P. 7; Santiago, Chile
Tel: (56-2) 365-6800; Fax: (56-2) 365-6888 www.cne.cl

Comision Chilena de Energia Nuclear (Chilean Nuclear Energy Commission)
Roberto Hojman, President

Amunategui 95; Santiago, Chile
Tel: (56-2) 699-0070; Fax: (56-2) 699-0735 www.cchen.cl

Comision Nacional del Medio Ambiente, CONAMA (National Environmental Commission)
Gianni Lopez, Executive Director
Obispo Donoso 6; Santiago, Chile
Tel: (56-2) 240-5600; Fax: (56-2) 244-3437 www.conama.cl

Comite de Inversiones Extranjeras (Foreign Investment Committee)
Karin Poniachik, Executive Vice President
Teatinos 120, P. 10; Santiago, Chile
Tel: (56-2) 698-4254; Fax: (56-2) 698-9476 www.foreigninvestment.cl

Corporacion Nacional del Cobre, CODELCO (National Copper Corporation)
Juan Villarzu, Executive President
Huerfanos 1270; Santiago, Chile
Tel: (56-2) 690-3221; Fax: (56-2) 690-6092 www.codelco.cl

Corporacion de Fomento de la Produccion (National Production Promotion Corporation)
Gonzalo Rivas, Executive VP
Moneda 921, P. 8, Of. 809; Santiago, Chile
Tel: (56-2) 631-8200; Fax: (56-2) 638-4003 www.corfo.cl

Corporacion Nacional Forestal, CONAF (National Forestry Commission)
Carlos Weber, Executive Director
Avda. Bulnes 285, P. 5, Of. 501; Santiago, Chile
Tel: (56-2) 390-0000; Fax: (56-2) 671-5881 www.conaf.cl

Direccion General de Obras Publicas (General Administration of Public Works)
Carlos Uribe, General Director
Morande 59, P. 3; Santiago, Chile
Tel: (56-2) 361-2451; Fax: (56-2) 672-7989 www.mop.cl

Direccion General de Aeronautica Civil (Civil Aviation Administration)
General Patricio Campos, General Director
Avda. Miguel Claro 1314; Santiago, Chile
Tel: (56-2) 205-2092; Fax: (56-2) 410-7101 www.dgac.cl

Direccion General de Relaciones Economicas Internacionales
(General Direction of International Economic Affairs)

Osvaldo Rosales, General Director
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Alameda Bdo. O'Higgins 1315, P. 2; Santiago, Chile
Tel: (56-2) 565-9000; Fax: (56-2) 696-0639 www.prochile.cl and www.chileinfo.com

Empresa de Ferrocarriles del Estado, EFE (Chilean State Railways)
Jaime Mondaca, General Manager
Alameda Bdo. O'Higgins 3322, P. 3; Santiago, Chile
Tel: (56-2) 776-2800; Fax: (56-2) 776-2052 www.efe.cl

Empresa Nacional del Petroleo, ENAP (State Oil and Gas Producing Enterprise)
Daniel Fernandez, General Manager
Vitacura 2736; Santiago, Chile
Tel: (56-2) 280-3000; Fax: (56-2) 234-9201 www.enap.cl

Junta de Aeronautica Civil (Civil Aviation Commission)
Juan Pablo Langlois, Secretary General
Amunategui 139, P. 7; Santiago, Chile
Tel: (56-2) 698-5594; Fax: (56-2) 698-3148 www.dgac.cl/aernac.htm

Ministerio de Obras Publicas, Depto. Concesiones
(Ministry of Public Works, Concessions Dept.)
German Molina, General Coordinator of Concessions
Merced 753, P. 9; Santiago, Chile
Tel: (56-2) 258-3600; Fax: (56-2) 258-3602 www.mop.cl

Of. de Estudios y Politicas Agricolas, ODEPA (Office of Agricultural Policies and Studies)
Carlos Furche, National Director
Teatinos 40, P. 8; Santiago, Chile
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Superintendencia de Electricidad y Combustibles (Superintendency of Electricity and Fuel)
Sergio Espejo, Superintendent
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Tel: (56-2) 549-6000; Fax: (56-2) 672-7708 www.sec.cl

Servicio Nacional de Geologia y Mineria (SERNAGEOMIN)
(National Geological and Mining Agency)
Ricardo Troncoso, National Director
Santa Maria 0104, Providencia; Santiago, Chile

Tel: (56-2) 737-5050; Fax: (56-2) 737-2026 www.sernageomin.cl

Servicio de Impuestos Internos (Internal Revenue Service)
Juan Toro, National Director
Teatinos 120, P. 6; Santiago, Chile
Tel: (56-2) 395-1600; Fax: (56-2) 395-1669 www.sii.cl

Servicio Nacional de Aduanas (National Customs Service)
Cristian Palma, National Director
Plaza Sotomayor 60; Valparaiso, Chile
Tel: (56-32) 20-0500; Fax: (56-32) 21-2819 www.aduana.cl

Servicio Agricola y Ganadero, SAG (Agriculture and Livestock Service)
Lorenzo Caballero, National Director
Bulnes 140, P. 8; Santiago, Chile
Tel: (56-2) 671-2323; Fax: (56-2) 672-1812 www.sag.gob.cl

Servicio Nacional de Pesca (National Fisheries Service)
Sergio Mujica, Director
Yungay 1731, P.4, Valparaiso, Chile
Tel: (56-32) 252-819; Fax: (56-32) 21-4492 www.sernapesca.cl

Servicio Nacional de Turismo, SERNATUR (National Tourism Service)
Oscar Santelices, Director
Providencia 1550; Santiago, Chile
Tel: (56-2) 731-8418; Fax: (56-2) 236-1417 www.sernatur.cl

Servicio de Salud Metropolitano del Ambiente (Metropolitan Environmental Service)
Jose Concha G., Director
Bulnes 177, Santiago, Chile
Tel: (56-2) 671-4304; Fax: (56-2) 699-3339 www.sesma.cl

Superintendencia de Bancos e Instituciones Financieras
(Superintendency of Banks and Financial Institutions)
Enrique Marshall, Superintendent
Moneda 1123, P. 6; Santiago, Chile
Tel: (56-2) 442-6233; Fax: (56-2) 462-0542 www.sbif.cl

Superintendencia de Valores y Seguros (Superintendency of Securities and Insurance)
Alvaro Clarke, Superintendent

Teatinos 120, P. 6; Santiago, Chile
Tel: (56-2) 549-5959; Fax: (56-2) 549-5892 www.svs.cl

Superintendencia de Administradoras de Fondos de Pensiones
(Superintendency of Pension Fund Administration)
Alejandro Ferreiro, Superintendent
Huerfanos 1273, P. 2; Santiago, Chile
Tel: (56-2) 753-0313; Fax: (56-2) 753-0395 www.safp.cl

Superintendencia de Servicios Sanitarias (Superintendency of Sanitary Services)
Juan Eduardo Saldivia, Superintendent
Moneda 673, P. 7; Santiago, Chile
Tel: (56-2) 382-4000; Fax: (56-2) 382-4003 www.siss.cl

Country Trade Associations/Chambers of Commerce

Asociacion Chilena de Empresas Mayoristas y Representantes de Turismo (ACHMART)
Terresa Rojas, President
Antonio Bellet 77, P. 12; Santiago, Chile
Tel: (56-2) 236-1549; Fax: (56-2) 244-3325 www.achmart.cl

Asociacion de Bancos y Instituciones Financieras
(Association of Banks and Financial Institutions)
Hernan Somerville, President
Ahumada 179, P. 12; Santiago, Chile
Tel: (56-2) 636-7100; Fax: (56-2) 698-8945 www.abif.cl

Asociacion de Distribuidores de Combustibles de Chile
(National Fuel Distributors Association)
Fernando Rodriguez, President
Miguel Claro 1431, Of. 101, Providencia; Santiago, Chile
Tel: (56-2) 205-5456; Fax: (56-2) 204-1495 www.adico.cl

Asociacion de Distribuidores de Software (Software Distributors' Association)
Alfredo Salas, Presidente
San Sebastian 2839, Of. 605, Las Condes; Santiago, Chile
Tel: (56-2) 246-3630; Fax: (56-2) 246-3867 www.ads.cl

Asociacion de Empresas de Servicio Publico (Public Utility Companies Association)
Guillermo Matta, President

Andres Bello 1051, Of. 2001, Providencia; Santiago, Chile
Tel: (56-2) 235-7374; Fax: (56-2) 236-3472

Asociacion de Industrias Metalurgicas y Metalmecanicas (ASIMET)
(Metallurgic and Metalmechanic Industries Association)
Pablo Bosch, President
Av. Andres Bello 2777, P. 4; Santiago, Chile
Tel: (56-2) 620-8710; Fax: (56-2) 203-3025 www.asimet.cl

Asociacion de Productores y Representantes de Productos Lubricantes (ASOLUB)
(Lubricant Producers and Representatives Association)
Lorenzo Gasmuri, President
Providencia 2601, Of. 21; Santiago, Chile
Tel: (56-2) 231-7406; Fax: (56-2) 231-7406

Asociacion Gremial de Corredores de Propiedades y Promotores de la Construccion (ACOP)
(Association of Real Estate and Construction Promoters)
Francisco Montalva, President
Providencia 2008-A, P. 2; Santiago, Chile
Tel: (56-2) 366-0414; Fax: (56-2) 233-5110 www.acop21.com

Asociacion Gremial de Industriales Quimicos (ASIQUIM)
(Chemical Industry Association)
Werner Lothholz, President
Av. Andres Bello 2777, Of. 501; Santiago, Chile
Tel: (56-2) 203-3350; Fax: (56-2) 203-3351 www.asiquim.cl

Asociacion Gremial de la Mediana y Pequena Industria de Chile (AMPICH)
(Chilean Small- and Mid-Size Industry Association)
Jorge Buron, President
Republica 371; Santiago, Chile
Tel: (56-2) 689-4260; Fax: (56-2) 689-4260

Asociacion Gremial de Medianos y Pequenos Industriales Metalurgicos (CORMETAL)
(Small- and Mid-size Metallurgic Industry Association)
Sergio Cortes, President
Ejercito 426; Santiago, Chile
Alfredo Meza
Av. Diagonal Oriente 1982; Santiago, Chile
Tel: (56-2) 51-0535; Fax: (56-2) 671-4150 www.cormetal.cl/

Asociacion Gremial Nacional de Duenos de Establecimientos Comerciales (SIDECO)
(National Association of Commercial Establishment Owners)
Contact: James Raby, President
Huerfanos 779, Of. 801; Santiago, Chile
Tel: (56-2) 633-1108, 633-1109; Fax: (56-2) 632-5698

Asociacion Gremial de Laboratorios Farmaceuticos (AGRELAF) (Pharmaceutical Laboratories Association, formed by members of the Pharmaceutical Research Manufacturing Association)
Joao Sanches, President
Av. A. Vespucio Sur 100, Of. 401; Santiago, Chile
Tel: (56-2) 655-8800; Fax: (56-2) 655-8808

Asociacion Nacional de Importadores (National Association of Importers)
Jose A. Oyarzun, General Manager
Monjitas 392, P. 1; Santiago, Chile
Tel: (56-2) 360-7028; Fax: (56-2) 231-3367

Asociacion de Exportadores de Chile (Chilean Exporters Association)
Ronald Bown, President
Cruz del Sur 133, P. 2; Las Condes, Santiago, Chile
Tel: (56-2) 206-6604; Fax: (56-2) 206-4163 www.cffa.org

Camara Chilena de la Construccion (Chilean Construction Chamber)
Ignacio Silva, President
Arturo del Rio, Secretary General;
Marchant Pereira 10, P. 3, Providencia; Santiago, Chile
Tel: (56-2) 376-3300; Fax: (56-2) 371-3430 www.cchc.cl

Chilean-American Chamber of Commerce (Amcham)
Kathleen Barclay, President
Jaime Bazan, General Manager
Av. Kennedy 5741, Torre Poniente, Suite 201
Tel: (56-2) 290-9700; Fax: (56-2) 206-0911 www.amchamchile.cl

Camara de Comercio de Santiago (Santiago Chamber of Commerce)
Esteban Alvano, President
Monjitas 392, P. 18; Santiago, Chile
Tel: (56-2) 360-7000; Fax: (56-2) 632-9897 www.ccs.cl

Camara de la Industria Cosmética de Chile
(Cosmetic Industry Association)
Jaime Ale, President
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Camara de la Industria Farmaceutica de Chile
(Pharmaceutical Industry Association -- formed by members of the Pharmaceutical Research Manufacturing Association and European Pharmaceutical Laboratories)
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Camara Nacional de Comercio, Servicio y Turismo de Chile
(National Chamber of Commerce, Services and Tourism)
Fernando Lihn, President
Merced 230; Santiago, Chile
Tel: (56-2) 365-4000; Fax: (56-2) 365-4001 www.cnc.cl

Corporacion Chilena de la Madera, CORMA (National Wood Corporation)
Ignacio Letamendi, President
Agustinas 1357, P. 3; Santiago, Chile
Tel: (56-2) 688-7978; Fax: (56-2) 688-7988 www.corma.cl

Empresa Chilena de Empresas de Turismo (ACHET)
(Chilean Association of Chilean Tourism Agencies)
Jose Martinez, President
Moneda 973, Of. 647; Santiago, Chile
Tel: (56-2) 699-2140, 696-5677; Fax: (56-2) 699-4245 www.achet.cl

Federacion de Productores de Fruta de Chile (FEDEFRUTA)
(National Fruit Producers' Association)
Luis Schmidt, President
San Antonio 220, Of. 301; Santiago, Chile
Tel: (56-2) 632-5274; Fax: (56-2) 632-7327 www.cffa.org

Instituto Textil de Chile (Chilean Textile Institute)
Mario Garcia, Executive President
Av. Andres Bello 2777, Of. 502; Santiago, Chile

Tel: (56-2) 203-3056, 203-3057; Fax: (56-2) 203-3059

Sociedad de Fomento Fabril, SOFOFA (Chilean Industrial Society)
Contact: Juan Claro, President
Av. Andres Bello 2777, P. 3; Santiago, Chile
Tel: (56-2) 391-3100; Fax: (56-2) 391-3200 www.sfs.cl

Visit USA Committee Chile
Barbara Urzua, President
Zurich 221, Of. 13; Santiago, Chile
Tel: (56-2) 334-0385; Fax: (56-2) 334-0378 www.visitusa.cl

World Trade Center Santiago
Pedro Alamos, President
Nueva Tajamar 481, Of. 101; Santiago, Chile
Tel: (56-2) 339-7000; Fax: (56-2) 339-7001 www.wtcs.cl

Market Research Firms in Chile

Adimark Ltda.
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Tel: (56-2) 397-4000; Fax: (56-2) 397-4300 www.adimark.cl

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Ernst & Young
Miroslav Bakovic, Managing Partner
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Tel: (56-2) 240-9000; Fax: (56-2) 638-3622 www.ey.com

Instituto de Estudios Bancarios Guillermo Subercaseaux
(Guillermo Subercaseaux Institute of Banking Studies)
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Tel: (56-2) 398-6000; Fax: (56-2) 699-3634 www.ieb.cl

Instituto Chileno de Administracion Racional de la Empresa (ICARE)
(Chilean Business Institute of Rational Business Administration)
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Commercial Banks in Chile

Chilean and Foreign Banks

Banco BHIF
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Tel: (56-2) 679-1000; Fax: (56-2) 679-1250 www.bhif.cl

Banco Bice
Cristian Eyzaguirre, General Manager
Teatinos 220; Santiago, Chile
Tel: (56-2) 692-2000; Fax: (56-2) 696-5324 www.bice.cl

Corp Banca
Mario Chamorro, General Manager
Huerfanos 1072, P. 6; Santiago, Chile
Tel: (56-2) 698-2741; Fax: (56-2) 672-6729 www.corpbanca.cl

Banco de A. Edwards
Pablo Granifo, General Manager
Huerfanos 740; Santiago, Chile
Tel: (56-2) 388-3000; Fax: (56-2) 388-8509 www.banedwards.cl

Banco de Chile
Rene Lehuede, General Manager
Ahumada 251; Santiago, Chile
Tel: (56-2) 637-1111; Fax: (56-2) 637-2560 www.bancochile.cl

Banco de Credito e Inversiones
Leonel Olavarria, General Manager
Huerfanos 1134, P. 4; Santiago, Chile
Tel: (56-2) 692-7000; Fax: (56-2) 695-8961 www.bci.cl

Banco del Desarrollo
Hugo Trivelli, General Manager
Avda. Lib. Bernardo O'Higgins 949, P. 3; Santiago, Chile
Tel: (56-2) 674-5000; Fax: (56-2) 688-4266 www.bdd.cl

Banco del Estado de Chile
Jose Manuel Mena V., General Manager
Avda. Lib. Bernardo O'Higgins 1111, P. 4; Santiago, Chile
Tel: (56-2) 670-5037; Fax: (56-2) 670-5044 www.bancoestado.cl

Banco Santander
Oscar Von-Chrismar, General Manager
Bandera 140, P. 20; Santiago, Chile
Tel: (56-2) 631-2000; Fax: (56-2) 672-3166 www.bsantander.cl

Banco Santiago
Fernando Canas, General Manager
Bandera 201, Piso 3; Santiago, Chile
Tel: (56-2) 648-4000; Fax: (56-2) 695-6342 www.bancosantiago.cl

Banco Security
Ramon Eluchans, General Manager
Agustinas 621, P. 4; Santiago, Chile
Tel: (56-2) 270-4000; Fax: (56-2) 270-4001 www.security.cl

Scotia Bank
Luis Fernando Tobon, General Manager
Morande 246; Santiago, Chile
Tel: (56-2) 692-6000; Fax: (56-2) 692-5400 www.scotiabank.cl

U.S. Banks

American Express
Mario Mora, General Manager
Avda. Andres Bello 2711, P. 9; Santiago, Chile
Tel: (56-2) 350-6700; Fax: (56-2) 355-8308 www.amex.com

The Chase Manhattan Bank
Carlos Ingham, Senior Country Officer
M. Sanchez Fontecilla 310, P. 10; Santiago, Chile
Tel: (56-2) 425-5414; Fax: (56-2) 425-5415 www.chase.com

Citibank
Ariel Sevi, General Manager
Av. Andres Bello 2687, P. 7; Santiago, Chile
Tel: (56-2) 338-8000; Fax: (56-2) 338-8155 www.citibank.cl

Bank of America
Hector Perez, Chile Country Manager
Alcantara 200, P. 7; Santiago, Chile
Tel: (56-2) 243-7210; Fax: (56-2) 243-7393 www.bankofamerica.com

BankBoston N.A.
Jorge Ramirez, General Manager
Apoquindo 3457; Santiago, Chile
Tel: (56-2) 686-0000; Fax: (56-2) 686-0410 www.bankboston.cl

HSBC Bank USA
Alberto Muchnick, Chief Executive Officer
Huerfanos 1060; Santiago, Chile
Tel: (56-2) 650-0550; Fax: (56-2) 695-2002 www.hsbc.com

Washington-Based USG Country Contacts

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U.S. Department of Commerce, HCHB 3203
14th Street & Constitution Avenue, N.W.
Washington, D.C. 20230
Tel: (202) 482-0703; Fax: (202) 482-4726 www.doc.gov

Department of Agriculture

U.S. Department of Agriculture, Rm 5094S
14th and Independence Avenue, S.W.
Washington, D.C. 20250
Tel: (202) 720-3221; Fax: (202) 720-5183 www.usda.gov

Department of State, Chile Desk

Office of Brazil and Southern Cone Affairs
2201 C Street, N.W.
Washington, D.C. 20520
Tel: (202) 647-2407; Fax: (202) 736-4415 www.state.gov

Department of State, Office of Public Diplomacy and Public Affairs

Bureau of Western Hemispheric Affairs (WHA/PDA), Room 3909
2201 C Street, NW
Washington, D.C. 20520
Tel: (202) 647-7186; Fax: (202) 647-7445/736-7247 www.state.gov/p/wha/

Other Agencies

Overseas Private Investment Corporation (OPIC)
1100 New York Avenue, N.W.
Washington, D.C. 20527
Tel: (202) 336-8647; Fax: (202) 408-5155 www.opic.gov

U.S. Trade and Development Agency (TDA)
1621 N. Kent St., Suite 200

Arlington, VA 22209
Tel: (703) 875-4357; Fax: (703) 875-4009 www.tda.gov

Export-Import Bank (EXIMBANK)
811 Vermont Avenue, N.W.
Washington, D.C. 20571
Tel: (202) 565-3262; Fax: (202) 565-3420 www.exim.gov

Chilean Government Agencies in the U.S.

Chilean Embassy in the U.S.
Andres Bianchi L., Ambassador
1140 Connecticut Avenue, N.W. Suite 703
Washington, D.C. 20036
Tel: (202) 785-1746, 785-2370; Fax: (202) 887-5579 www.chile-usa.org

Chilean Consulates in the U.S.

For Chilean Consulates in San Francisco, Houston, New York, San Juan, Miami, Los Angeles, San Francisco, and Philadelphia, refer to: www.consuladoschile.org

Other Chilean Government-Related Entities in the U.S.

Empresa Nacional del Petroleo, ENAP (National Petroleum Company)
5900 North Andrews Ave., Suite 230
Fort Lauderdale, FL 33309
Tel: (954) 229-8007, 229-8005; Fax: (954) 229-8006 www.enap.cl

Corporacion Nacional del Cobre, CODELCO (Chilean Copper Corporation)
CODELCO U.S.A., CODELCO METALS
177 Broad Street, 14th Floor
Stanford, Connecticut 06901
Tel: (203) 425-4321; Fax: (203) 425-4322 www.codelco.com

Chilean Government Trade Offices in the U.S.

For information on ProChile's offices in Washington D.C., New York, Miami, Los Angeles, and Chicago refer to www.chileinfo.com.

ProChile in Washington, D.C.
1732 Massachusetts Ave. N.W.
Tel: (202) 785-1746; Fax: (202) 659-3220

CHAPTER 12: MARKET RESEARCH

Industry Reports

The Commercial Service of the U.S. Department of Commerce publishes market research such as International Market Insights (called IMIs and briefly highlight a market opportunity) or Industry Sector Analysis (called ISAs and provide more in-depth analysis of a market sector). These reports can be found at www.stat-usa.gov or www.usatrade.gov

Agricultural Reports

Annual reports on market opportunities and key sectors by commodity can be found at www.fas.usda.gov and www.usembassy.cl.

CHAPTER 13: TRADE EVENT SCHEDULE

For list of trade shows recommended by the U.S. Commercial Service in Santiago, visit www.usatrade.gov/chile, and click on news. For shows emphasizing food products, visit www.fas.usda.gov. For an additional list of trade shows in Chile, visit www.fisa.cl, www.casapiedra.cl, www.puntodiez.cl, and www.exponer.cl.